



Issue Date May 31, 2001
Audit Case Number 2001-FW-0002

MEMORANDUM FOR: Margaret A. Young, Senior Advisor to the Financial Officer, F

/SIGNED/

FROM: D. Michael Beard, District Inspector General for Audit, 6AGA

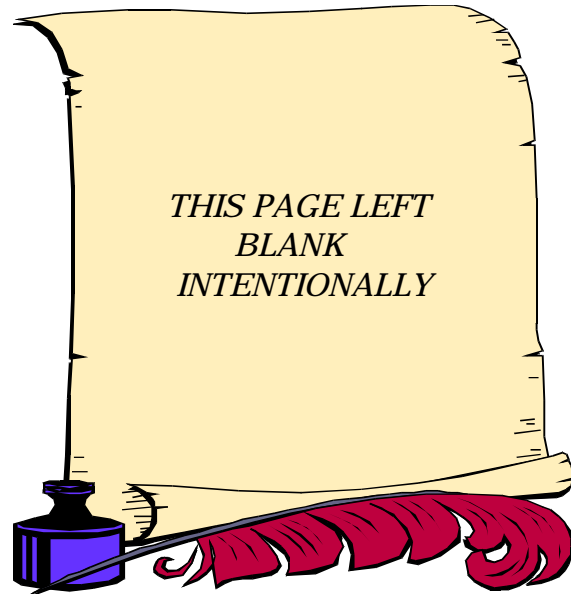
SUBJECT: Audit Report - HUD's Compliance with the Government Performance and Results Act

We performed an audit to evaluate HUD's compliance with the Government Performance and Results Act of 1993 (GPRA). Specifically, we reviewed HUD's Strategic Plan and Annual Performance Plan to ensure that HUD had established a mission, goals, and objectives that conformed with HUD's authorizing legislation. In addition, we reviewed HUD's consultation process and the involvement of contractors in the preparation of HUD's plans. Further, we analyzed HUD's strategic planning process to determine if HUD used GPRA to manage its program growth and staffing resources.

The report contains five findings requiring follow-up actions by HUD.

Within 60 days, please furnish this office, for each recommendation in this report, a status on: (1) corrective action taken, (2) the proposed corrective action and the date to be completed, or (3) why action is not considered necessary. Also, please furnish us copies of any correspondence or directives issued related to the audit.

If you or your staff have any questions, please contact Theresa A. Carroll, Assistant District Inspector General for Audit, at (817) 978-9309.



Executive Summary

We performed a nationwide audit to evaluate HUD's compliance with the Government Performance and Results Act of 1993 (GPRA). Specifically, we reviewed HUD's Strategic Plan and Annual Performance Plan to ensure that HUD had established a mission, goals, and objectives that conformed with HUD's authorizing legislation. In addition, we reviewed HUD's consultation process and the involvement of contractors in the preparation of HUD's plans. Further, we analyzed HUD's strategic planning process to determine if HUD used GPRA to manage its program growth and staffing resources. Although HUD's current Strategic Plan and Fiscal Year 2001 Annual Performance Plan are vast improvements over HUD's previous attempts, HUD was still not fully complying with the requirements of GPRA. As a result, the President, Congress and the taxpayer will be unable to fully use HUD's GPRA plans and reports to measure the results and scope of HUD's operations.

HUD Plans were improvements over previous attempts.

HUD has made significant improvements in its GPRA planning since its first attempt. Both the National Academy of Public Administration (NAPA) and the Government Accounting Office (GAO) stated that HUD's 2000 Annual Performance Plan was a improvement over HUD's previous plan. Further, GAO stated that HUD continued to refine its performance goals and measures in its 2001 Annual Performance Plan.

HUD appropriately limited the involvement of contractors.

Although GPRA prohibits an agency from using contractors to draft its plans, Congress directed HUD to contract with NAPA to evaluate HUD's compliance with GPRA. However, NAPA staff stated they provided assistance to HUD in revising HUD's Annual Performance Plan. Yet, NAPA, HUD, and OMB staff stated that HUD drafted and produced its plans. As a result, HUD appropriately limited the involvement of contractors in the drafting of its plans.

HUD's Plans presented an incomplete and distorted view of the agency.

HUD's Strategic and Annual Performance Plans presented an incomplete and distorted view of the agency. Specifically, HUD's mission does not cover its social service programs. Further, its fifth goal of "Ensure Public Trust in HUD" is unmeasurable. Finally, HUD's Plans placed a disproportionate emphasis on some of its smaller programs.

HUD did not use GPRA to manage program growth and staffing resources.

HUD did not use its Strategic and Annual Performance Plans as strategic tools to manage its program growth and staffing reductions. Instead, HUD continued to expand its programs, activities, and initiatives even though its staffing

had reduced dramatically. Further, if HUD had used GPRA as Congress intended, it could have better managed its staffing allocations during its downsizing. As a result, HUD's program activities continued to grow unchecked while the staff available to oversee those programs shrank.

HUD's expanding international programs not fully reported or measured.

HUD's expanding international program activities were not fully reported or measured in its GPRA plans and reports. From April 1999 through June 2000, HUD expanded from one existing international cooperative agreement to eight. Since HUD's Annual Performance Plan did not include its foreign activities, anyone reading it was uninformed of HUD's expansion in the global housing arena.

HUD unable to fully measure or report on program results.

Because HUD did not establish baselines, it cannot measure or report on results for 30 percent (49 of 161) of the indicators in its Annual Performance Plan. In addition, nine of HUD's indicators lacked a clear goal. GPRA required HUD to establish performance goals and indicators to provide a basis for measuring results. Without baselines and clear goals, Congress will be unable to fully measure HUD's performance.

HUD lacked substantive, ongoing, and documented consultations.

HUD's strategic planning process lacked substantive, ongoing, and documented consultations. GPRA required HUD to consult with Congress, OMB, and stakeholders. Since HUD held meetings, it believed it met or exceeded GPRA's consultation requirements. However, HUD's meetings did not truly fulfill the GPRA consultation requirements. As a result, Congress, OMB, and stakeholders have not had significant input throughout HUD's strategic planning process. In addition, HUD's Strategic and Annual Plans included programs that Congress did not approve or fund.

Recommendations.

In order to fully comply with GPRA, we recommend that HUD refocus its strategic planning process on its core mission and goals. HUD needs to revise its mission statement and its fifth strategic goal. Further, HUD should revise its Plans to ensure that a balance exists between what HUD is measuring in its Plans and what it is funded to operate. In addition, HUD either needs to revise its mission, strategic objectives, and indicators to include its international programs or limit its international activities so that they fit within HUD's current mission. HUD then

needs to prepare a listing of all its active and inactive programs and ensure that they are reflected in its Annual Performance Plan. HUD must also accurately tie its staffing to its goals and objectives and assess its staffing to ensure that it is able to meet its programmatic responsibilities. Additionally, HUD must establish a baseline and set a clear, specific, and measurable goal for each indicator in its Annual Performance Plan. Finally, HUD needs to establish a formal consultation process that includes ongoing, substantive, and documented consultations with all stakeholders, including Congress.

HUD comments on the report.

We provided HUD with a draft report on March 7, 2001. We discussed the draft with HUD officials on three occasions: March 22, 2001; April 12, 2001; and April 24, 2001. During our first meeting, we agreed to allow HUD additional time to prepare written comments. HUD provided its written comments on April 27, 2001. HUD generally disagreed with the findings and the report's tone, but did agree to implement some of the recommendations. Based on HUD's comments, we made changes to the report's tone and provided additional clarifying information. We considered HUD's responses in preparing our final report. We have included the complete text of HUD's comments as Appendix C.

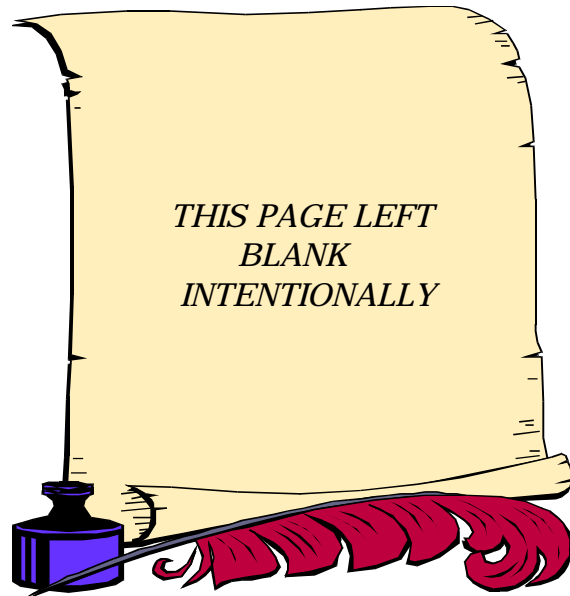


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Abbreviations

GAO	General Accounting Office
GPRA	Government Performance and Results Act of 1993
HUD	U. S. Department of Housing and Urban Development
NAPA	National Academy of Public Administration
OGC	Office of General Counsel
OIG	Office of Inspector General
OMB	Office of Management and Budget
PD&R	Office of Policy Development and Research
USAID	U. S. Agency for International Development

Introduction

Background.

Congress passed the Government Performance and Results Act of 1993 (GPRA) to improve performance of government programs and operations. Congress specified several purposes for GPRA:

- Improve the confidence of the American people in the capability of the federal government, by systematically holding federal agencies accountable for achieving program results.
- Improve federal program effectiveness and public accountability by promoting a new focus on results, service quality, and customer satisfaction.
- Help federal managers improve service delivery, by requiring that they plan for meeting program objectives and by providing them with information about program results and service quality.
- Improve Congressional decision-making by providing more objective information on achieving statutory objectives, and on the related effectiveness and efficiency of federal programs and spending.
- Improve internal management of the federal government.

GPRA mandated that HUD set goals for program performance and to measure and report results. Specifically, GPRA required HUD to develop:

- A strategic plan that covers at least 5 years, including:
 1. A comprehensive mission statement covering the major functions and operations of the agency;
 2. General goals and objectives, including outcome-related goals and objectives for the major functions and operations of the agency;
 3. A description of how the goals are to be achieved;
 4. A description of those key factors external to the agency and beyond its control that could significantly affect the achievement of the general goals and objectives; and

5. A description of the program evaluations used in establishing or revising general goals and objectives, with a schedule for program evaluations.
- An annual performance plan, that:
 1. Covers each program activity set forth in the agency's budget;
 2. Establishes performance goals to define the level of performance to be achieved by a program activity;
 3. Expresses such goals in an objective, quantifiable, and measurable form unless authorized to be in alternate form by OMB;
 4. Describes briefly the operational processes, skills and technology, and the human, capital, information, or other resources required to meet performance goals;
 5. Establishes performance measures to be used in measuring or assessing the relevant outputs, service levels, and outcomes of each program activity;
 6. Provides a basis for comparing actual program results with the established performance goals; and
 7. Describes the means used to verify and validate measured values.
 - An annual program performance report, which includes:
 1. A review of the success of achieving the performance goals for the fiscal year;
 2. An evaluation of the performance plan for the current fiscal year relative to the performance achieved toward the performance goals in the fiscal year covered by the report;
 3. An explanation and description of situations where performance goals were not met;
 4. A description of the use and an assessment of the effectiveness in achieving performance goal where administrative procedural requirements and controls have been waived; and
 5. The summary findings of those program evaluations completed during the fiscal year covered by the report.

Further, GPRA states that the functions and activities of strategic planning, annual planning, and performance reporting are inherently governmental functions, thereby, only federal employees should draft the strategic plan, the annual performance plan, and the annual performance report.

HUD's Fiscal Year 2001 Annual Performance Plan outlines HUD's mission, goals, and indicators (see Table 1). HUD administered its strategic and performance planning through the offices of the Chief Financial Officer, Policy Development and Research, and Departmental Operations and Coordination.

HUD has made significant improvements in its GPRA planning since its first attempt. For example, when HUD submitted its first annual plan for Fiscal Year 1999, GAO reviewed the document and provided many criticisms. NAPA reported that the plan was not outcome-oriented, was weak on performance measures, and it was rated below average by Congress. In an effort to improve its GPRA process, HUD contracted with NAPA. As a result, HUD made substantial progress toward GPRA implementation in its 2000 Annual Performance Plan. However, NAPA reported that although HUD's Fiscal Year 2000 Annual Performance Plan was a major improvement over the previous one, further revisions were needed to achieve uniform quality throughout the document. GAO also reported that HUD's Fiscal Year 2000 Plan was an improvement over the previous plan and was well on its way to addressing the weaknesses GAO had previously identified. Further, GAO applauded HUD's efforts in its 2001 Annual Performance Plan to continue to refine its performance goals and measures and to address key weaknesses GAO had identified in previous plans.

Audit Objectives.

Our audit objectives were to determine:

1. Whether HUD's Fiscal Year 2000-2006 Strategic Plan and Fiscal Year 2001 Annual Performance Plan contained a suitable mission statement and clear, measurable goals that conform with HUD's authorizing legislation;

Table 1¹

<p align="center">HUD’s Mission: Promote adequate and affordable housing, economic opportunity, and a suitable living environment free from discrimination.</p>				
<p align="center">Vision: In order to fulfill its mission, HUD will be a high-performing, well-respected, and empowering partner with all levels of government, with the private sector, and with families and individuals.</p>				
Strategic Goal 1	Strategic Goal 2	Strategic Goal 3	Strategic Goal 4	Strategic Goal 5
Increase the availability of decent, safe, and affordable housing in American communities.	Ensure equal opportunity in housing for all Americans.	Promote self-sufficiency and asset development of families and individuals.	Improve community quality of life and economic vitality .	Ensure public trust in HUD.
Strategic Objectives	Strategic Objectives	Strategic Objectives	Strategic Objectives	Strategic Objectives
1.1 Homeownership is increased.	2.1 Housing discrimination is reduced.	3.1 Homeless families and individuals become self-sufficient.	4.1 The number, quality, and accessibility of jobs increase in urban and rural communities.	5.1 HUD and HUD’s partners effectively deliver results to customers.
1.2 Affordable rental housing is available for low-income households.	2.2 Low-income people are not isolated geographically in America.	3.2 Poor and disadvantaged families and individuals become self-sufficient and develop assets.	4.2 Disparities in well-being among neighborhoods and within metropolitan areas are reduced.	5.2 HUD leads housing and urban research and policy development nationwide.
1.3 America’s housing is safe and disaster resistant.	2.3 Disparities in homeownership rates among racial and ethnic groups are reduced.		4.3 Communities are safe.	

¹ HUD’s Fiscal Year 2001 Annual Performance Plan, page iv.

2. Whether HUD appropriately involved Congress, OMB, and stakeholders in the development of its Strategic Plan;
3. Whether HUD appropriately limited the involvement of contractors in its strategic planning process;
4. The number of indicators in HUD's Fiscal Year 2001 Annual Performance Plan, which HUD office is responsible for each indicator, and whether each indicator had a baseline and a clear goal;
5. Whether HUD used its strategic planning process to manage program growth and staffing resources by determining what programs and activities HUD operated in Fiscal Year 2000 and comparing them to HUD's Fiscal Year 2001 Annual Performance Plan; and
6. Whether HUD's Fiscal Year 2001 Annual Performance Plan included new programs, activities, and initiatives funded in Fiscal Year 2000.

Audit Scope and Methodology.

We obtained background information by:

- Reviewing the Government Performance and Results Act of 1993.
- Reviewing OMB Circular A-11, Part 2, *Preparation and Submission of Strategic Plans and Annual Performance Plans*.
- Reviewing articles on GPRA and performance management in the federal government.
- Reviewing HUD's Fiscal Years 1998-2003 and Fiscal Years 2000-2006 Strategic Plans and the Fiscal Year 2001 Annual Performance Plan.
- Reviewing the latest version of the *Basic Laws on Housing and Community Development*.
- Reviewing various reports on HUD and/or its Plans prepared by NAPA and GAO.
- Reviewing various issued HUD OIG audits.

To accomplish our objectives, we:

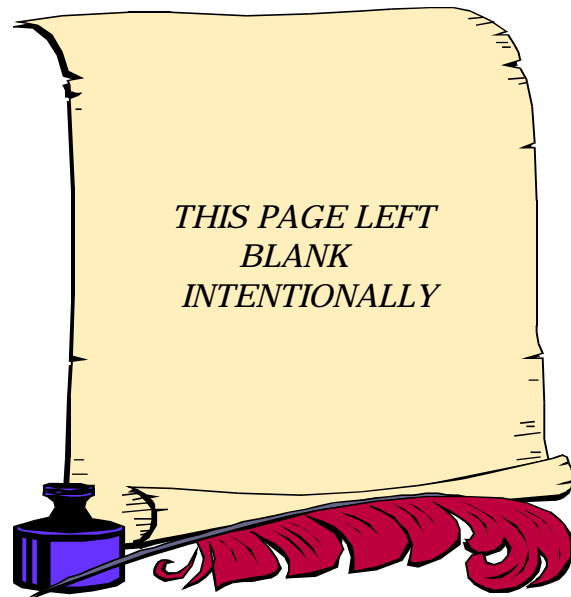
- Compared HUD's mission statement to its core programs.
- Compared HUD's strategic goals to its authorizing legislation.
- Performed an analysis to determine whether HUD's strategic goals were clear and measurable.

- Obtained and reviewed HUD's consultation contractor's contract file.
- Obtained and reviewed HUD's documentation of consultations with Congress, OMB, and stakeholders.
- Obtained and reviewed HUD's contracts with NAPA.
- Obtained and reviewed Congressional conference reports and resolutions directing HUD to contract with NAPA.
- Performed an analysis of HUD's Fiscal Year 2001 Annual Performance Plan to determine the number of indicators, which office was responsible for each indicator, and whether each indicator had a baseline and a clear goal. We excluded the Government National Mortgage Association (GNMA) from our review of HUD's indicators.
- Compared number of indicators by office to HUD's budget information by office in its Fiscal Year 2001 Annual Performance Plan to determine whether a balance existed.
- Compared HUD's current staffing to 1997 staffing levels and determined where changes occurred. Further, reviewed HUD's implementation of Resource Estimation and Allocation Process (REAP) and determined its current status.
- Obtained a listing of all HUD programs prepared by NAPA in 1998 and HUD OIG in 1997. Compared program listings from NAPA, HUD, and OIG to determine the trends of HUD's programs.
- Compiled a list of HUD programs, activities, and initiatives for which HUD spent time or funds in Fiscal Year 2000 and verified the completeness and accuracy of the data with senior program staff.
- Compared information in the Fiscal Year 2001 Annual Performance Plan to our listing of CPD programs to determine which items were listed separately or consolidated in the Plan.
- Performed an analysis to identify HUD programs that provided social services and the population groups they served. Further, compared this listing to the Fiscal Year 2001 Annual Performance Plan to determine whether HUD included these social service programs.
- Expanded our analysis of HUD's programs to identify via HUD publications and other means the scope of HUD's international cooperative agreements and staff assigned to this area.

- Obtained and reviewed Fiscal Year 2000 “Daily Focus” messages to determine what new programs, activities, or initiatives HUD began during that year.
- Compared our listing of new initiatives to HUD’s Fiscal Year 2001 Annual Performance Plan.
- Reviewed HUD’s Fiscal Year 2001 Annual Performance Plan to determine the level of Presidential influence in the Plan.
- Interviewed HUD, Congressional, OMB, GAO, NAPA, and stakeholder staff.

Audit Period and Sites.

We conducted the audit at HUD’s Headquarters Office located at 451 7th Street SW in Washington, District of Columbia, and various field offices. The audit covered HUD’s updated Fiscal Year 2000-2006 Strategic Plan and HUD’s Fiscal Year 2001 Annual Performance Plan. We expanded and narrowed the scope of our audit work as necessary. We performed our audit work from May 2000 until February 2001. We conducted our audit in accordance with generally accepted government auditing standards.



HUD's Strategic and Annual Performance Plans Presented an Incomplete and Distorted View of the Agency

HUD's Strategic and Annual Performance Plans presented an incomplete and distorted view of the agency. Specifically, HUD's mission did not fully cover its far-reaching social service programs. Further, HUD's fifth goal of "Ensure Public Trust in HUD" was unmeasurable. Finally, HUD's Plans placed a disproportionate emphasis on some of its smaller programs. Thus, HUD has not fully complied with GPRA.

Criteria.

GPRA requires HUD's Strategic Plan to include a comprehensive mission statement. GPRA requires that the mission statement be brief, defining the basic purpose of the agency, with particular focus on its core programs and activities.²

GPRA also requires HUD to include in its Strategic Plan one or more goals defined in a manner to allow it to assess whether it achieved the goal. General goals and objectives should not go beyond an agency's span of influence. "In defining general goals and objectives, agencies should avoid platitudes or rhetoric that is inherently unmeasurable, either directly or through the use of performance goals and indicators."³ However, GPRA does allow HUD to define a performance goal in its Annual Performance Plan in a way that is not self-measuring. If it does so, HUD must include performance indicators for that goal that set out specific, measurable values or characteristics related to the goal which will aid in determining goal achievement.⁴

HUD's programs have broadened to include social services.

HUD's programs have broadened over time to include the social service needs of the people who live in HUD sponsored or funded housing. As a result, HUD currently provides a variety of complex social service programs. NAPA identified social services as HUD's fifth *de facto* major program category. HUD directs its social service

² OMB Circular A-11, Section 210.6.

³ OMB Circular A-11, Section 210.7(b).

⁴ OMB Circular A-11, Section 220.9(b).

programs to the needs of special population groups, such as the elderly or homeless. In addition, some HUD programs are geared to assist low-income groups, while others are designed to deal with special problems faced by individuals or families or to lessen the likelihood that such problems will occur.⁵ Appendix A identifies the special population groups, the HUD programs that assist them, and the social services provided.

HUD's social service programs missing from its mission.

HUD did not include its social service programs in its GPRA reported mission, goals, and indicators. GPRA intends that an agency first confirm the programs or services it is providing. An agency should then determine the program's mission, goals, and target population. After determining the mission, the agency selects what to measure and chooses benchmark comparisons. Finally, the agency develops the measurement systems and begins to measure and analyze performance. Instead of following this process, HUD first determined what societal impact it desired and then, chose programs and indicators to support that desired impact. Because HUD went about the GPRA planning process in this manner, it left social services out of its mission. Since HUD's social services are missing from its mission, the reader could conclude that HUD does not provide such services.

According to HUD, it included its social service programs under its third Strategic Goal in its Fiscal Year 2000-2006 Strategic Plan: "Promote housing stability, self-sufficiency and asset development of families and individuals." However, HUD has not fully disclosed its social service programs in this goal. For example, in the Means and Strategies section of this goal HUD stated:

"Promoting self-sufficiency is a substantial task that involves several Federal agencies. The Department of Health and Human Services (HHS) provides benefits and services including cash assistance, child care and health care to needy families. The Department of Labor provides job training to improve people's employability. HUD complements these agencies by providing families and individuals with stable, affordable housing and by leveraging our relationships with housing

⁵ *Renewing HUD: A Long-Term Agenda for Effective Performance*, issued in July 1994 by NAPA.

providers and community development agencies to promote self-sufficiency.”

What HUD did not tell the reader, though, was that HUD duplicated the services of these other federal agencies by also providing child care, health care, job training, and other social services to families and individuals. In its 2001 Annual Performance Plan, HUD also did not fully disclose its social service programs under the indicators for its third strategic goal. In the Means and Strategies for the indicators under this goal, HUD either did not mention its social service programs or merely stated that HUD provided continued support for service programs without identifying what those service programs were. Thus, in our opinion, the full extent of HUD’s social service programs, the fact that HUD has provided them, and their impact was either missing from or buried in the details of HUD’s Plans.

“Ensure Public Trust in HUD,” an unmeasurable goal.

HUD established its fifth goal as “Ensure Public Trust in HUD.” However, HUD established an unmeasurable, rhetoric-based goal. GPRA required HUD to avoid platitudes and rhetoric in its goals and objectives because they are inherently unmeasurable.⁶ Ensuring the public’s trust is inherently unmeasurable. In addition, the objectives under this goal are not written to measure the public’s trust. For example, having empowered and capable employees and partners will not necessarily result in the public trusting HUD. Instead, HUD’s indicators have attempted to measure its performance and its ability to meet management challenges. Thus, HUD needs to revise its goal to accurately reflect what it is measuring.

A majority of HUD’s indicators under this goal are also not specific or measurable. GPRA does allow goals that are not self-measuring, if the indicators under that goal contain specific measurable results. For example, HUD’s 2001 Annual Performance Plan contained the following measures:

- “HUD’s workforce is empowered, capable and focused on results.”
- “HUD’s partners are empowered, capable and focused on results.”

⁶ OMB Circular A-11, Section 210.7(b).

- “PD&R work products are rated more highly for usefulness, ease of use, reliability, objectivity and influence.”

However, HUD has not defined in specific terms what these indicators are trying to measure. For example, HUD did not describe what a capable employee was or how HUD’s survey would measure that capability. In addition, HUD did not define empowered, focused on results, or rated more highly. Since HUD did not really establish what it was attempting to measure under these indicators in its Strategic and Annual Performance Plans, HUD has burdened itself with obscure indicators. HUD needs to revise its indicators under this goal so they are clearly defined and easily measurable.

HUD’s Plans did not present a balanced view of the agency.

Rather than focusing on its core missions in its goals and indicators and presenting a balanced view of the agency, HUD’s Plans highlighted programs that only received a small amount of HUD’s resources. For example, together the offices of Policy Development and Research and Lead Hazard Control received a little more than one-half of 1 percent of HUD’s total budget. Yet, they accounted for 9 percent of HUD’s indicators that measure the results of HUD’s programs. On the other hand, the office of Public and Indian Housing received 67 percent of HUD’s budget, but only had 29 percent of its indicators. HUD’s Plans should contain a balance between its budget and indicators in order to measure the true results of its funding.

HUD’s Plans are also distorted because they do not:

- (1) disclose HUD’s program growth (see Finding 2);
- (2) specifically and accurately tie its staffing resources to its Annual Performance Plan (see Finding 2);
- (3) disclose or measure HUD’s expansion in the international arena (see Finding 3); and
- (4) fully measure the results of HUD’s programs (see Finding 4).

HUD’s Plans should fully cover its broad mission, be measurable, and be sufficiently balanced. HUD’s current Plans do not meet this criteria. HUD must take steps to

revise its current Plans to ensure that they contain a realistic and measurable reflection of the agency.

HUD Comments.

HUD disagreed with the overall findings and the recommendation that it revise its mission statement. HUD strongly disagreed that it went about the GPR process backwards. In addition, HUD believed its social service programs were covered by the fact that HUD's mission promotes "economic opportunity" and "a suitable living environment." HUD also disagreed that its fifth Strategic Goal was unmeasurable. HUD stated that the inclusion of this goal focused on management concerns and was consistent with direction from OMB and Congress. Further, HUD believed that the indicators under this goal are clearly measurable. However, HUD agreed to take its fifth Strategic Goal under advisement and work on strengthening it and the indicators. HUD also disagreed that its Plans were not balanced and stated the underlying analysis was not sound. In response to the recommendation that its Plan should be balanced, HUD stated it would continue to assess whether it had fully covered all the measurable outcomes of its programs, but it disagreed that there should be a correlation between the number of indicators for each program and its cost.

OIG Evaluation of Comments.

We still contend that HUD has not included its social service programs in its mission statement nor has HUD fully disclosed its social service programs in its Plans. We do not see how promoting economic opportunity and a suitable living environment encompasses all of the social services that HUD provides. Although we agree that HUD's fifth Strategic Goal focuses on HUD's management challenges, HUD did not provide any information to show that the goal of "Ensure Public Trust in HUD" is measurable. In addition, HUD has not provided information to show that the indicators under this goal are clearly defined and measurable. Thus, HUD needs to revise this goal and the indicators under it rather than take them under advisement and strengthen them. We also disagree that comparing HUD's budget to its Plan indicators is not a valid analysis. Instead, we believe it is an analysis HUD should perform to ensure that a balance exists in its Plan.

Recommendations.

We recommend that HUD:

- 1A. Revise its mission statement to include its social service programs.
- 1B. Revise its fifth strategic goal and the indicators under this goal so it can be easily defined and measured. Further, ensure that the indicators support the achievement of the goal.
- 1C. Revise its future Plans to ensure that a balance exists between what HUD is measuring in its Plans and the programs it is funded to operate.

HUD Did Not Use GPRA to Manage Program Growth and Staffing Resources

HUD did not use its Strategic Plan and Annual Performance Plan as strategic tools to manage its program growth and staffing resources. Instead, HUD continued to expand its programs, activities, and initiatives even though its staffing had reduced dramatically. HUD should use its Plans to streamline its programs. Although GPRA allowed HUD to aggregate programs in its Strategic and Annual Performance Plans, HUD used aggregation in a way that did not fully disclose its program growth to Congress, the President, and taxpayers. In addition, if HUD had used GPRA as Congress intended, it could have better managed its staffing allocations during its downsizing. However, HUD will not complete its staffing resource allocation studies started in 1997 until 2002. As a result, HUD's program activities continued to grow unchecked while the staff available to oversee those programs shrank.

Criteria.

GPRA seeks to increase government program performance and hold federal agencies accountable for results. Congress expected federal managers to improve service delivery through strategic management. Strategic plans can be used as a means to re-align and re-engineer functions and operations. Preparation of a strategic plan provides HUD an opportunity to consider terminating, reducing in scope, or transferring elsewhere programs and activities.⁷ In addition to a strategic plan, GPRA requires HUD to prepare an annual performance plan that includes goals and indicators to be used by managers to direct and oversee programs.⁸ Further, HUD's Annual Performance Plan must describe how it expects to achieve its goals and identify the various resources, skills, technologies, and processes needed to achieve them.⁹

HUD's confusing mix of missions, a prescription for problems.

In 1994, NAPA stated that HUD's mix of missions was a prescription for problems. Further, NAPA stated:

“The administration, HUD and Congress must proceed expeditiously with a comprehensive consolidation and reauthorization of all HUD's programs. Until HUD can get its programmatic

⁷ OMB Circular A-11, Section 210.1.

⁸ OMB Circular A-11, Section 220.9(a).

⁹ OMB Circular A-11, Section 220.11.

house in order, no amount of tinkering with management will cure what ails this organization....The current overload of programs, however worthwhile their purposes, saps HUD's resources, muddles priorities, fragments the department's workforce, creates unmeetable expectations, and confuses communities."

NAPA went on to say:

"Given current and projected resources for the department, the panel believes it is unlikely that improved management or changes to the organization structure can enable HUD to fulfill all of the missions implied in its many programs. The department may be able to do some things better, but will not be able to do all things."¹⁰

In 1999, NAPA stated that its prior concern that HUD was burdened with program overload was still relevant. NAPA also said that HUD stakeholders it met with were concerned that HUD was no longer capable of achieving the goals set forth in its legislation or being responsive to its customers.¹¹

HUD's increasing program burden.

Even though HUD undertook measures to repeal and streamline some of its programs, the Department remained burdened with an excess of current and inactive programs. In fact, HUD's streamlining temporarily increased its total count of programs. When new programs are created, repealed programs do not cease until funds are totally expended, which can sometimes take years or even decades.

HUD, NAPA, and OIG do not agree on the actual number of program activities that HUD operates. In its 1994 report, NAPA identified over 160 active programs. NAPA went on to say in the report that HUD had 206 statute-based programs and an additional 43 programs either formed through the Secretary's discretion or other initiatives. OIG reported in 1994 that HUD had 240 programs and that the mix of programs and activities was disproportionate to

¹⁰ *Renewing HUD: A Long-Term Agenda for Effective Performance*, issued by NAPA in July 1994.

¹¹ *GPRA in HUD, Changes for the Better*, issued by NAPA in July 1999.

HUD's resource levels. HUD responded that it had 267 active and inactive programs, functions, or major activities.

In 1997, OIG updated its program list and determined HUD's programs had grown to 330. At this point, HUD disputed OIG's number and stated it only had 71 programs. However, in July 1999, NAPA staff identified over 300 separate program activities that HUD needed to account for within its planning and budgeting framework. Since new initiatives and activities can and have been started by the President, the Secretary of HUD, and even by HUD's Assistant Secretaries, a slowdown of HUD's program growth has not occurred. NAPA's 1994 prediction came true: "Without a change in course, the growth spiral will continue."¹²

Further, HUD, NAPA, and OIG do not agree on what constitutes a program, activity, or initiative. NAPA cited this problem in its October 1999 report, saying, "There are many different ways to count HUD programs."¹³ Tracking HUD's programs was further complicated by the fact that HUD did not possess a unified document showing what programs, initiatives, and activities it was operating or were open but inactive on its books. HUD staff told auditors that they knew what programs HUD operated, but they could not provide consolidated reports or listings. In addition, staff often told auditors that programs were no longer active. Yet, in some cases, program funds still existed and HUD continued monitoring these inactive programs, like HOPE III. To properly manage its programs, initiatives, and resources; HUD must maintain a listing of all programs, initiatives, and activities that require HUD resources, whether they are active or inactive.

HUD's program increases not openly reflected in its Plan.

HUD's current increases in programs, initiatives, and activities were not openly reflected in its 2001 Annual Performance Plan. Even though HUD's Annual Performance Plan included tables listing programs supporting each objective, HUD's recent initiatives were absent from those tables. During Fiscal Year 2000, HUD started 25 new initiatives, activities, or programs including the Teacher Next Door Initiative, the Passport to Homeownership Initiative, the One Million Homes

¹² *Renewing HUD: A Long-Term Agenda for Effective Performance*, issued by NAPA in July 1994.

¹³ *Aligning Resources and Priorities at HUD: Designing a Resource Management System*, issued by NAPA in October 1999.

Initiative, and the Assisted Living Conversion Program, to name a few. Yet, HUD did not separately list any of these new initiatives in the tables. HUD did include some of these initiatives in the details listed under various objectives. Yet, others are missing entirely.

HUD has also not disclosed its program increases by aggregating blocks of individual programs into one-line entries in the tables in its Plan. For example, HUD lists Community Development Block Grants (CDBG) as one entry in the various tables in its Annual Performance Plan. However, in addition to the main CDBG Entitlement Program, HUD has well over a dozen separate set-aside program activities under the main CDBG program umbrella. Two of the larger set aside programs in the last few years include the Canal Corridor Initiative and the Colonias Set-Aside Provision. Since GPRA's purpose is to measure results, surely Congress would be interested in the results of these individual set-aside programs.

Further confusing the issue of how programs are presented in the Plan was the fact that HUD appears to have no consistent or logical methodology to explain why it listed some initiatives separately in its program tables and aggregated others. For example, HUD separately listed an additional 12 proposed programs or initiatives in the tables in its 2001 Annual Performance Plan. Even though HUD consolidated all existing CDBG set-aside programs under the generic heading of "Community Development Block Grants," HUD separately listed two proposed CDBG set-aside program initiatives: the Mississippi Delta Initiative and the Community and Interfaith Partnerships Initiative.

Although GPRA allowed HUD to aggregate and consolidate programs in its Plan, HUD consolidated its programs in a way that did not disclose its program growth. In order to determine what programs HUD was operating and where growth had occurred, a reader would be faced with the onerous task of compiling their own listing of programs from information buried in the details of the Plan and, even then, the list would not be complete. To be an effective tool, HUD's Plan must show not only where HUD plans to expand, but also where HUD has already expanded.

HUD staffing decreased and shifted to supporting organizations.

HUD's workforce has decreased in the last decade from a high of 14,073 in 1992 to approximately 9,300 today. As the following table shows, the former Secretary shifted a significant percentage of staff from HUD's program offices to supporting organizations.

Staff Allocation			
	1997¹⁴	2001¹⁵	% Change
Program Offices¹⁶			
Public and Indian Housing	1,259	1,395	10.8%
Community Planning & Development	797	760	-4.6%
Housing	4,410	3,434	-22.1%
Office of Fair Housing & Equal Opportunity	612	650	6.2%
Ginnie Mae	58	72	24.1%
Office of Lead Hazard Control	25	23	-8.0%
Policy Development & Research	105	163	55.2%
Program Offices Totals	7,266	6,497	-10.6%
Supporting Organizations			
Enforcement Center		215	100.0%
Assessment Center		211	100.0%
Office of Multifamily Housing Assistance Restructuring		101	100.0%
Community Builders/Field Management		933	100.0%
Chief Financial Officer	352	220	-37.5%
Chief Procurement Officer		148	100.0%
Chief Information Officer		5	100.0%
General Counsel	479	349	-27.1%
Department Management	445	113	-74.6%
Department Equal Employment Opportunity	19	19	0.0%
Administration	793	431	-45.6%
Reserve		58	100.0%
Supporting Organizations Totals	2,088	2,803	34.2%
GRAND TOTALS	9,354	9,300	-0.6%

¹⁴ 1997 staffing totals are the actual staffing totals at the end of Fiscal Year 1997 based on information provided by the National Finance Center.

¹⁵ 2001 staffing totals are based on information provided by HUD in its Fiscal Year 2001 Annual Performance Plan.

¹⁶ The listing of program offices and supporting organizations is based on HUD's classifications in its staffing allocation table in the Fiscal Year 2001 Annual Performance Plan.

As our audits have documented, HUD's poorly planned staffing shifts negatively impacted HUD's oversight of its programs. Several of HUD's newly created organizations have drained resources from program offices and shifted them to positions that have little measurable benefit or are underutilized. For example, our audit of HUD's Community Builders found that HUD created a large workforce whose impact was minimal.¹⁷ In addition, our survey of HUD's new Troubled Agency Recovery Centers (TARC) found that the Department does not generate a sufficient number of troubled public housing authorities to fully employ or justify existing TARC staffing levels.¹⁸ Finally, we found that HUD's staff reductions led to potential and actual losses attributable to fraudulent loans totaling \$97 million by a mortgagee in California.¹⁹ HUD must reassess its current staffing allocations to ensure that it appropriately utilizes employees, meets its mission, and funds are not wasted or misused.

HUD's efforts at resource allocation fell short.

HUD admitted that its Fiscal Year 2001 Annual Performance Plan was the Department's first effort at a detailed allocation of HUD's staffing resources to strategic goals. HUD said in March 2000 that it planned to implement NAPA's Resource Estimation and Allocation Process (REAP) to make its future Plan data more specific and accurate. However, NAPA began holding meetings to develop a method to estimate HUD's staffing resources in 1997 and 1998. Further, our recent review of REAP found that the earliest estimated completion date of REAP is now in early Fiscal Year 2002.²⁰ As a result, HUD will not be able to produce a plan with specific and accurate staffing allocation information until 2003 or 2004.

¹⁷ Audit Report Number 99-FW-177-0002, Nationwide Audit of Community Builders, issued on September 30, 1999.

¹⁸ Audit Related Memorandum Number 99-FO-101-0802, Survey of the Troubled Agency Recovery Centers (TARC) and Related Field Office Activities, issued on September 30, 1999.

¹⁹ Audit Related Memorandum Number 00-SF-121-0802, Internal Audit Single Family Housing, Los Angeles Area Office and Santa Ana Homeownership Center, issued on April 6, 2000.

²⁰ Audit Related Memorandum Number 00-PH-169-0802, Progress Assessment – Implementing the Resource Estimation and Allocation Process (REAP), issued September 29, 2000.

GAO's assessment of HUD's human capital issues.

In its recent report,²¹ GAO cited HUD's human capital weaknesses as a major management challenge. GAO stated that "weaknesses in HUD's ability to oversee its multifamily and public housing properties have eroded mission capabilities." GAO recommended that HUD ensure that: (1) its organization realignment efforts are achieving the efficiencies envisioned, (2) it continues to develop a process to identify and justify its staffing requirements, and (3) staff are available and have the skills needed to carry out the work assigned.

HUD must check its program growth and reassess its current staffing allocations. Doing so is imperative to HUD's ability to meet its mission. HUD's Strategic and Annual Performance Plans are management tools that HUD should utilize to realign and restructure the organization. However, HUD's current Strategic and Annual Performance Plans are not the useful management tools they could be. For HUD to maximize the usefulness of the GPRA process, HUD's Plans need to reflect all of HUD's programs and accurately tie its human resources to its objectives and goals listed in the Plans.

HUD Comments.

HUD agreed that program growth presents a significant management challenge and stated it was considering how best to address it. HUD also agreed that it should continually reassess its current staffing allocations to ensure that it appropriately utilizes employees, meets its mission, and that funds are not wasted or misused. However, HUD disagreed that it failed to disclose its program growth in the Annual Performance Plan. Further, HUD stated that its Annual Performance Plan and budget needed to be viewed together, as smaller set-asides not discussed in the Plan are discussed in budget documents. HUD also criticized the OIG for rehashing the findings of prior OIG audits on staffing shifts and spending little time explaining how the issues relate to GPRA.

In regards to the recommendations, HUD stated that OIG has raised the issue of HUD needing a comprehensive

²¹ GAO-Report Number 01-248, *Major Management Challenges and Program Risks, Department of Housing and Urban Development*, issued on January 2001.

listing of programs on a number of occasions. However, HUD indicates that preparing one is not as simple as it sounds. In response to the recommendation that HUD's Plan should cover all of HUD's programs and activities, HUD responded that its Plan has provided thorough coverage of every one of HUD's major programs and every program and funding source. Finally, HUD questioned the need for an audit recommendation that it should accurately tie its staffing to its objectives and goals given that this recommendation is largely duplicative of open recommendations which led to the initiation of REAP.

**OIG Evaluation of
Comments.**

We appreciate HUD's recognition that program growth and staffing allocation are issues that it should address. We disagree that HUD has openly disclosed its program growth in the Annual Performance Plan. However, we added language to the final report to clarify our position. In addition, we disagree with HUD that a reader should have to read its Annual Performance Plan and budget in detail to determine all of HUD's programs and the results of their operations. We also disagree with HUD's comment that OIG was merely rehashing previous findings and not commenting on how staffing issues relate to GPRA. HUD prepared its first Strategic Plan in 1997 and its first Annual Performance Plan in 1998. As the finding clearly shows, between 1997 and 2001, HUD's staffing was reduced and it made significant shifts in its personnel. Even though HUD had its Plans available as a management tool to analyze the impact of the changes it was undertaking, HUD did not use them in that manner. As the report and our past audits show, HUD's decisions negatively impacted the agency. Thus, HUD should utilize its current Plans as management tools before making any future staffing changes.

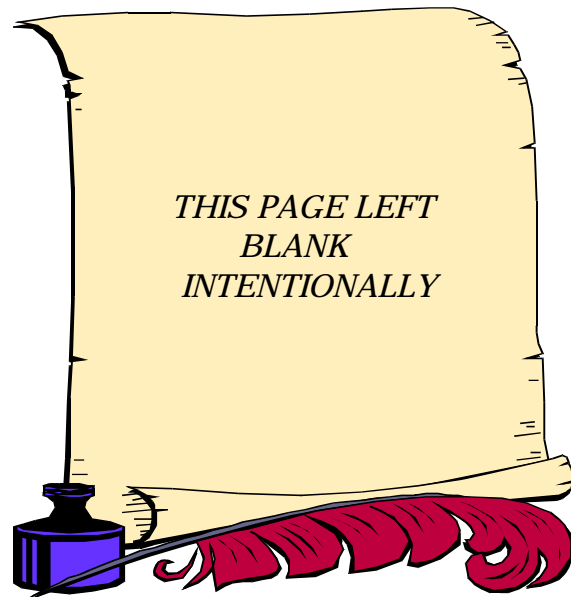
Although we agree with HUD that preparing a comprehensive listing of programs is not a simple task, we still believe that it is one that HUD must complete. HUD must know what programs, initiatives, and activities it is currently operating before it can begin to address the issue of program growth. Further, HUD's comment that its Annual Performance Plan covers its major programs does not address the issue that the plan needs to cover all of HUD's programs and activities. Finally, we disagree that this

finding is duplicative. GPRA requires that an agency be able to tie its staffing resources to the objectives and goals in its Plans. HUD states that REAP will solve this recommendation. However, HUD and NAPA have been working on REAP since 1997. Thus, until HUD's Plans meet the GPRA requirement, we believe that this is a valid recommendation.

Recommendations.

We recommend that HUD:

- 2A. Prepare and maintain a listing of all active and inactive programs, initiatives, and activities.
- 2B. Reflect all of its programs, activities, and initiatives, including areas where program growth is occurring or planned, in its future Annual Performance Plans.
- 2C. Accurately tie its staffing to its objectives and goals. Further, HUD needs to assess its staffing allocation to ensure that HUD is able to meet its programmatic responsibilities.



HUD Did Not Fully Report or Measure its Expanding International Program Activities

HUD did not fully report or measure its expanding international program activities in its GPRA plans and reports. From April 1999 through June 2000, HUD expanded from one existing cooperative agreement with a foreign entity²² to eight. Although HUD has statutory authority to gather and assemble data from other nations, some of its agreements appear to include activities that are outside that authority. HUD only briefly mentioned its international activities as partnerships to exchange data and information in its Plans. Further, HUD did not directly tie its international activities to any of its five strategic goals. In fact, HUD's strategic goals addressed the needs of America and its communities, not those of the world. In addition, HUD did not establish any indicators to measure the results of its international activities. Since HUD's Annual Performance Plan has not included its foreign activities, HUD did not inform the reader of its expansion in the global housing arena.

Criteria.

The Secretary of Housing and Urban Development may exchange data relating to housing and urban planning and development with other nations and assemble such data from other nations, through participation in international conferences and other means, where such exchange or assembly is deemed by him to be beneficial in carrying out his responsibilities under the Department of Housing and Urban Development Act or other legislation.²³

OMB's Circular A-11 contains the requirements for preparing and submitting strategic plans, annual performance plans and annual program performance reports. Plans and reports are developed for use by agency officials and staff to lead and carry out their federal programs and activities. By forging a link between resources and performance, these plans and reports should show what is being accomplished with the money that is being spent.²⁴ Agencies participating in crosscutting programs should describe in their strategic plans the interface between the related programs and outline how individual agency efforts support common endeavors.²⁵ In

²² The Bi-National Commission with Mexico was established in 1981. HUD joined the Commission in 1991.

²³ 12 USC, 1701d-4

²⁴ OMB Circular A-11, Section 200.1

²⁵ OMB Circular A-11, Section 210.5 (e)

addition, the annual plan should indicate those programs or activities that are being undertaken with other agencies.²⁶

HUD international program activities increased in size and scope.

HUD has had an international program since the Department was founded. However, prior to 1999, HUD had only one open international activity: the Bi-National Commission with Mexico. “Secretary Cuomo revitalized the international program.”²⁷ Starting in April 1999, HUD entered into seven new or expanded international cooperative agreements (see Table 2). In addition, HUD maintained policy-level contacts with several governments in Europe.

The scope of HUD’s international program activities has increased, perhaps even outside the scope of its legislative authority. As Table 3 shows, not only has HUD exchanged and assembled data, HUD and its partners have entered into agreements that provide for activities such as designing and constructing housing and creating jobs. HUD should consult with OMB to ensure that it has not agreed to perform or performed activities that are outside the scope of its statutory authority.

International programs not within current strategic goals.

HUD’s strategic goals addressed the needs of America and its communities, not those of the world. Both HUD’s Strategic Plan and Annual Performance Plan briefly mentioned its international activities under Strategic Goal five: “Ensure Public Trust in HUD.” Yet, the strategic objective under this goal stated “HUD leads housing and urban research and policy development **nationwide**.”²⁸ (*emphasis added*) In addition, the information presented in the overview section disclosed nothing about HUD’s global expansion or its new cooperative endeavors. Instead, the objective overview stated that fulfilling the mandate requires relevant, thorough research on local conditions, national and international trends, and on the strengths and weakness of HUD’s current programs. Further, under the Means and Strategies for the objective, HUD only stated that international experiences would be considered when developing policies and that HUD would test approaches to the creation of international networks for the exchange of

²⁶ OMB Circular A-11, Section 220.7(e).

²⁷ HUD’s Office of International Affairs webpage, June 27, 2000.

²⁸ Objective 5.2.

Table 2

Initiated	Initiative Name
April 1999	U.S.-South African Cooperation on Housing and Community Development Activities
Activities:	<ul style="list-style-type: none"> ○ Collaborate to develop innovative housing finance programs in low-income communities that will create jobs and help more South Africans become homeowners. ○ Foster community-driven housing and economic development activities. ○ Cooperate to develop laws, regulations, and practices to combat discriminatory lending. ○ Share housing and economic development computer databases and information on housing legislation, tax codes, and systems design.
June 1999	U.S.-Mexico Border Accord
Activities:	<ul style="list-style-type: none"> ○ Hold a California-Mexico Border Conference to discuss ways to collaborate and coordinate programs to deal with regional challenges. ○ Create a Municipal Border Exchange and Cooperation Program to share information and work together on "smart growth" initiatives for communities, metropolitan financing strategies, and public participation in local planning and policy-making. ○ Create a Pilot Cross-Border Urban Planning Program to promote improved communication and collaboration between sister cities along the U.S.-Mexico border. ○ Foster and establish Secondary Mortgage Market Working Groups. ○ Perform an analysis of the border's impact on urban infrastructure and development in the U.S. and Mexico.
September 1999	Central America and Caribbean Emergency Disaster Recovery Fund Initiative
Activities:	<ul style="list-style-type: none"> ○ Assist with resettlement by building shelter for victims of Hurricanes Georges and Mitch. ○ Strengthen municipal capacity. ○ Improve the availability of financing. ○ Enhance building and construction methods.
November 1999	U.S.-Chinese Housing Cooperative Initiative
Activities:	<ul style="list-style-type: none"> ○ Create a U.S.-Chinese Residential Building Council. ○ Promote new technologies and energy efficient materials to build sturdy and affordable homes.
May 2000	U.S.-Mexico Cross Border Cooperation
Activities:	<ul style="list-style-type: none"> ○ Increase outreach and assistance to states and cities along the border. ○ Encourage local jurisdictions on both sides of the border to cooperate in planning and budgeting of government and non-government funds and resources. ○ Foster and promote long-term comprehensive planning and development strategies that reflect a regional perspective.
May 2000	U.S.-Chinese Construction Demonstration Project
Activities:	<ul style="list-style-type: none"> ○ Design two 15-20 hectare neighborhoods using the U.S. approach to design of space. ○ Design jointly one demonstration building to be constructed by the Chinese and incorporate building materials donated by American manufacturers. ○ Complete a feasibility study on the target group regarding neighborhoods and homes. ○ Design a vision for the community and demonstration building. ○ Construct the demonstration building. ○ Determine the building/community's economic, technological, and social suitability to China.
June 2000	U.S.-Israeli Binational Commission on Housing and Community Development
Activities:	<ul style="list-style-type: none"> ○ Expand the supply of affordable housing. ○ Increase homeownership opportunities. ○ Create jobs and help businesses expand as part of an effort to revitalize communities. ○ Make improvements in construction, technology, and architecture.

data and information. Since HUD's strategic goals focused on the needs of the nation and only briefly touched on exchanges of data with foreign entities, HUD's international program activities operated outside its goals.

HUD promoted its global initiatives in its publication *A Vision for Change*.

HUD devoted four pages of its November 2000 publication, *A Vision for Change, The Story of HUD's Transformation*, to its renewed global initiatives. This document stated that:

“HUD continues its international outreach with renewed dedication, enhanced expertise and new programs.” Further, the document states that HUD's “international programs also support U.S. foreign policy interests. By strengthening bilateral relationships and partnering with multilateral organizations, HUD demonstrates America's commitment to alleviate worldwide poverty through building legal, social, and financial institutions that promote and protect one of the most basic foundations of human dignity - safe, decent and affordable housing.”

However, alleviation of worldwide poverty is outside the scope of HUD's mission to promote adequate and affordable housing, economic opportunity, and a suitable living environment free from discrimination for all Americans.

Strategic and Annual Performance Plans silent about HUD's expanding foreign policy role.

Even though GPRA required agencies with cross-cutting programs to describe their related programs in their plans, HUD's Strategic and Annual Performance Plans were silent about HUD's expanding foreign policy role. HUD's Plans said nothing about the department being directed by the President to establish some of the cooperative agreements. The only place HUD's international agreements were mentioned was in HUD's Fiscal Year 2000-2006 Strategic Plan. Nowhere in HUD's Strategic Plan or Annual Performance Plan did HUD state that it entered into and fostered international cooperative agreements with foreign entities. HUD's international activities were only listed as partnerships that helped it achieve its goals. HUD's Plans were also silent about how it would coordinate with the State Department and the United States Agency for International Development (USAID) to carry out these new initiatives that cross over into those agencies' areas, as

required. The only mention of HUD's coordination with the State Department and USAID was in relation to HUD's development of the U.S. national report to the United Nations Commission of Human Settlements.

HUD has expanded globally and participated in programs and initiatives that affect America's foreign policy interests. Further, HUD may not have statutory authority to carry out these activities. HUD allocated additional staff and resources to its international endeavors. However, HUD has not included these programs and activities in its mission, goals, or objectives. HUD has also not established any indicators to measure the results of the international program activities that it has operated. In addition, HUD has not disclosed its expanded foreign policy role with the State Department and USAID. As a result, HUD has misled the reader because anyone reading its GPRA plans and reports would be unaware of HUD's global program activities.

HUD Comments.

HUD disagreed that it had exceeded its statutory authority. HUD provided an Office of General Counsel (OGC) opinion attached to its response explaining that HUD's international activities were authorized. Thus, HUD felt consulting with OMB was unnecessary.

HUD also disagreed that its international activities were outside its current mission and goals. Further, HUD stated that its international programs were only a small part of what the agency does and consume little, if any, program funding. Thus, HUD should not devote a lot of attention to them in the Annual Performance Plan. However, HUD did state it would endeavor to be more descriptive about its international activities in the future.

OIG Evaluation of Comments.

After a thorough review of OGC's opinion and consultation with OIG's Counsel, we stand by our original conclusion and recommendation. We agree that HUD does have statutory authority to enter into international agreements to exchange and assemble data. In addition, HUD's authority to enter into international agreements can and has been expanded on occasion by Congress, as in the case of Central America and

the Caribbean. We had no issues with these activities. However, we still believe that HUD may have exceeded its statutory authority in other cases. Specifically, in the case of China, only HUD and China entered into a memorandum of understanding to design and construct housing in China. Nothing in the OGC legal opinion suggests that this sort of international activity is permissible. Thus, we believe that OMB needs to review this and other international agreements to ensure that HUD did not perform or agree to perform activities that are outside the scope of its statutory authority.

We also disagree that HUD's current mission and goals include its international activities. Further, since GPRA requires an agency to report in its plan any crosscutting programs, we believe that HUD's arguments that its international programs are small and scope and size are irrelevant to whether HUD's international activities are reported or measured in its Annual Performance Plan. For example, HUD was required to report its crosscutting programs with USAID. Yet, HUD did not report them. Further, Congress and the taxpayer should be informed about the activities HUD has undertaken in the international arena.

Recommendations.

We recommend that HUD:

- 3A. Consult with OMB to determine if it has entered into agreements that are outside the scope of its statutory authority.
- 3B. Either revise its mission, strategic objectives, and indicators to include its international program activities or limit its international program activities so that they fit within HUD's current mission, strategic objectives, and indicators.
- 3C. Revise its future Strategic Plan and Annual Performance Plan to include its coordination with both the State Department and USAID.

HUD Unable to Measure or Report on Nearly One-Third of its Program Results

Because HUD did not establish baselines, it cannot measure or report on results for 30 percent (49 of 161) of the indicators in its Annual Performance Plan. In addition, nine of HUD's indicators lacked a clear goal. GPRA requires HUD to establish performance goals and indicators to provide a basis for measuring results. Without baselines and clear goals, Congress will be unable to measure HUD's performance. Since it will be unable to measure or report on results for almost a third of its indicators, HUD has not complied with GPRA.

Criteria.

GPRA requires HUD to establish performance goals to define the level of performance to be achieved by its program activities. Further, GPRA requires performance goals expressed in an objective, quantifiable, and measurable form to provide a basis for comparing HUD's actual program results with the established performance goal. In addition, GPRA requires HUD to establish performance indicators to be used in measuring its programs. HUD must prepare an Annual Performance Report to compare its actual performance to the performance goals established in its Annual Performance Plan. Further, GPRA requires an explanation in HUD's Annual Performance Report if it did not achieve a goal.²⁹

Almost one-third of HUD's Annual Performance Plan indicators lacked baselines.

Almost one-third (49 of 161) of HUD's 2001 Annual Performance Plan indicators lacked baselines.³⁰ A baseline is a quantified starting point against which actual performance and results are compared. HUD did not establish baselines for 33 indicators and said it would establish baselines at some future date for 16 others.³¹ HUD did not establish baselines for such indicators as:

- Income isolation declines (Indicator 2.2.1).
- Housing discrimination declines (Indicator 2.1.1).
- The share of recipients of welfare-to-work vouchers who hold jobs at time of annual recertification increases (Indicator 3.2.2).

²⁹ OMB Circular A-11, Section 221.4.

³⁰ Excluding any indicators that apply to Ginnie Mae.

³¹ For a complete listing of indicators see Appendix B.

- The homeownership rate in underserved neighborhoods ceases to decline (Indicator 4.2.1).
- HUD's data systems are rated highly (Indicator 5.1.9).

Without a baseline, Congress cannot determine whether HUD's performance for those indicators was good or bad.

Nine indicators lacked a clear goal.

For nine indicators, HUD lacked a clear written statement of what goal it was attempting to achieve. For these nine, HUD had no clear point of reference to measure performance. For example, HUD's indicator 5.1.9 was "HUD automated data systems are rated highly for usefulness, ease of use and reliability." This goal and the information that accompanied it did not identify how many systems HUD operated. Thus, the reader cannot determine whether the plan to assess five systems was a small or large achievement. Further, HUD did not define usefulness, ease of use, and reliability or how it would determine if a system met the undefined "rated highly" criteria.

GAO cited HUD's inability to define measures in its 1999 Plan.

In June 1998, GAO reported that 27 percent of HUD's 93 performance measures "do not provide quantifiable measures that will allow for comparing the actual performance in fiscal year 1999 against the projected performance." GAO also stated that HUD's plan would be more useful if HUD presented sufficient, quantifiable goals and indicators that directly relate to program operations.

Although HUD made many improvements to its 2001 Annual Performance Plan, HUD's ability to set clear and measurable indicators did not improve. HUD admitted it lacked baselines. Without a starting point from which to measure results, Congress will be unable to determine whether HUD has or has not met its goals. Further, HUD can say that any performance was good since there are no reference points to measure against. Since HUD cannot measure or report on its results, it did not fully comply with GPRA. To prevent further delays in measuring and reporting results, HUD should establish a baseline and clear goal for every indicator in its Annual Performance Plan.

HUD Comments.

HUD recognizes the issue as a key priority and agrees with the OIG that improvements are necessary. Further, HUD stated it was working to establish a baseline and goal for each indicator. In addition, HUD indicated that it had established baselines for 15 of the 49 indicators cited in the draft. However, HUD stated that the draft report criticizes HUD's ongoing attempts to develop and refine performance measurement tools. HUD indicated that having a baseline is not always practical or desirable for new indicators or indicators with long-term measures. HUD also stated that the comparison of the lack of baselines in the 2001 Plan to the 1999 Plan was inappropriate because the two plans did not include the same number or types of indicators.

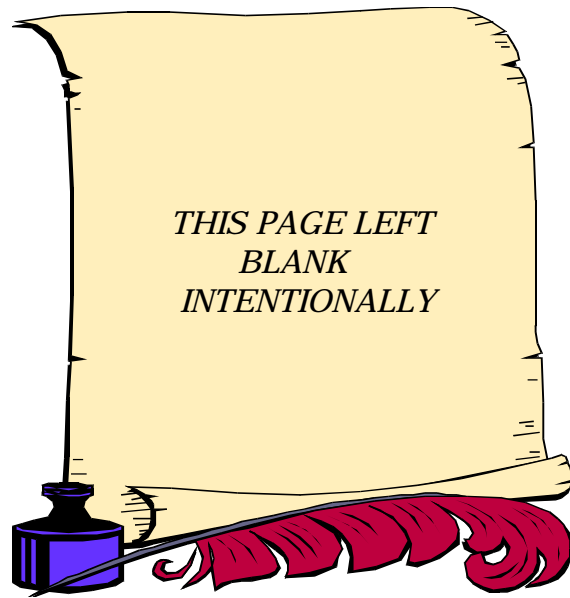
OIG Evaluation of Comments.

We applaud HUD's recognition of the issue and its work to establish baselines for those indicators lacking them. However, we disagree that this report criticizes HUD's attempts to refine performance measurement tools. Although we agree that it may be difficult to establish a baseline for a new indicator, HUD should strive to set a baseline, even if it is a temporary or projected one. Without a baseline, HUD will not be able to truly measure the results of what it has accomplished under an indicator. In addition, we disagree that the comparison of the 2001 Plan to the 1999 Plan was inappropriate. Although the number and types of indicators are different, the comparison shows that the number of indicators without baselines had increased from 27 percent in 1999 to over 30 percent in 2001.

Recommendations.

We recommend that HUD:

- 4A. Establish a baseline for each indicator in its Annual Performance Plan that lacks one.
- 4B. Review each indicator's goal and set clear goals for those that are not specific or measurable.



HUD's Strategic Planning Process Lacked Substantive, Ongoing, and Documented Consultations

Although HUD met the technical requirements of holding consultations, its strategic planning process lacked substantive, ongoing, and documented consultations with Congressional, OMB, and stakeholder staff. GPRA requires HUD to consult with Congress, OMB, and stakeholders. Since HUD held meetings, it believes it met or exceeded GPRA's consultation requirements. However, HUD's meetings did not truly fulfill the GPRA consultation requirements. As a result, Congress, OMB, and stakeholders did not have significant input throughout HUD's strategic planning process. In addition, HUD's Strategic and Annual Plans included programs that Congress did not approve or fund.

Criteria.

GPRA requires HUD to consult with Congress and solicit and consider the views of interested and potentially affected parties, called stakeholders. However, HUD had discretion in how it conducted consultations. HUD was also expected to have continuing interaction with OMB over the full course of plan preparation to help ensure that its revised and updated strategic plan conformed with statutory requirements and was consistent with national policy.³²

HUD touted its consultations.

HUD's Fiscal Year 2000-2006 Strategic Plan touted its feedback from customers and stakeholders. HUD stated it solicited comments from all its major constituents. Further, HUD said it met with Congressional staff in October 1999 and kept them informed of subsequent consultations with stakeholders. Additionally, HUD stated it held 18 meetings with stakeholders, covering most sectors of HUD's operations, and sought additional input through concerted outreach to constituents. Finally, HUD made its Strategic Plan available on its website and held an all-employee broadcast to specifically solicit comments. However, the evidence presented a different picture.

³² OMB Circular A-11, Section 210.12.

HUD did not conduct ongoing or substantive Congressional consultations.

HUD did not conduct ongoing or substantive Congressional consultations. Further, a significant percent of HUD’s Congressional consultations occurred at Congress’ and not HUD’s initiation. In addition, half of HUD’s Congressional consultations occurred very late in the strategic planning process. HUD lacked a cohesive listing of its meetings with Congress. Instead, HUD provided a jumbled assortment of e-mails, meeting notes, and other documents. These documents and interviews with Congressional staff indicated HUD conducted six consultations with Congress.

Date of Consultation	Held With:
10-29-99	House Staff Members
4-7-00	Senate Banking Committee Staff
5-23-00	Senator Thompson’s Staff
9-5-00	12 Senators and Representatives
9-20-00	House Staff Members
9-26-00	Senate Staff Members

Upon close examination, one of the consultations consisted of mailing the 2000-2006 Strategic Plan to 12 Senators and Representatives. Since three of HUD’s consultations occurred in the month that the final Strategic Plan had to be submitted, their usefulness as a strategic planning tool is questionable. Further, Congress initiated three of the physical meetings HUD held. Congressional staff stated that two meetings held with HUD had nothing or very little to do with HUD’s Strategic Plan and GPRA. Since Congressional staff responsible for oversight of HUD’s Strategic Plan indicated that they had limited or no input, HUD did not have significant, ongoing, substantive discussions of its Plan with Congress.

HUD’s documentation of its Congressional meetings was incomplete and did not meet the standards it set for its contractor. HUD lacked documentation showing attendees, topics, and any dissenting or emerging views. HUD’s poor documentation occurred because it did not follow a formal consultation plan. To ensure that HUD holds ongoing, substantive, and documented Congressional consultations, HUD should adopt and follow a formal consultation plan.

HUD poorly documented its consultations with OMB.

Although HUD appeared to hold consultation meetings with OMB, HUD lacked documentation to support the discussions it held. Even though OMB staff stated they did not have much to do with HUD's strategic planning process, they had commented on HUD's Plan. HUD provided two e-mails where OMB provided comments on HUD's Plan. However, HUD held several more meetings with OMB that it did not document. HUD needs a formal process to ensure that it documents the issues and views raised by OMB.

HUD's stakeholder consultations were one-time events.

Instead of conducting continuing and substantive meetings, HUD's consultations with 14 stakeholders were individual events. In addition, HUD so poorly planned one stakeholder meeting that only two members of the National Low Income Housing Coalition attended. Interviewed stakeholders stated they had not received any feedback from HUD. Further, one commented that the meeting did not provide enough time to cover all of the information HUD presented. HUD's poor planning and lack of feedback support the contention that HUD was not prepared to meet the legislative requirements of GPRA.

HUD's stakeholder consultations lacked sufficient documentation.

HUD lacked sufficient and complete documentation of the 14 stakeholder consultations it held. HUD failed to maintain the following information:

- Participant sign in sheets for six (43%) of the meetings.
- HUD participants for eight (57%) of the meetings.
- Purpose, agenda, handouts, time, and place for all of the meetings.
- Differences and similarities of opinions for all of the meetings.
- Emergent issues, challenges, and suggestions for ten (71%) of the meetings.
- Follow-up contact for all of the meetings.

HUD had scant information about its consultations because it did not establish any policy or standard on what type of documentation it should maintain. In fact, HUD did not meet the documentation requirements it set for its own contractor. As a result, even though HUD stated it made changes to its current Strategic Plan based on comments it received, HUD cannot definitively show how its

consultations affected or contributed to its strategic planning.

HUD's other consultation and outreach efforts ineffective.

HUD's other outreach efforts, such as posting its plan on its website, faxing it to various stakeholders, and holding broadcasts were ineffective. These consultation methods were mostly presentations and were not interactive. To be effective, HUD's consultations should be interactive to allow it to consider and discuss alternative and emergent views.

HUD's contractor held more effective and better documented consultations.

HUD's contractor held four better documented and more effective regional stakeholders forums. HUD required its contractor to thoroughly document its stakeholder consultations, including preparing and documenting:

- A description of the consultation purpose.
- The date, time, and place of the consultation.
- A description of the method used to identify and select participants.
- An agenda for the consultation.
- An outline of the reporting format.
- A written report that summarized the view of the stakeholders, their differences and similarities of opinion, and notes on emergent issues, challenges and suggestions.

As a result, the contractor held more effective consultations and maintained better documentation than HUD. The contractor's consultations resulted in follow-up and feedback, documentation of differences and similarities of opinion, discussions of emergent issues and challenges, and significant changes to HUD's Strategic Plan.

HUD's approach resulted in unapproved programs being included in its Plans.

Since HUD did not hold ongoing or substantive Congressional consultations, its Strategic and Annual Performance Plans include several initiatives that Congress did not fund. For example, HUD included the Mississippi Delta Initiative in both Plans and the Community Gun Safety and Violence Reduction Initiative in its Annual Performance Plan. However, Congress did not fund either initiative and, in the case of the Community Gun Safety and Violence Reduction Initiative, the House Appropriations Committee wrote specific language disallowing the program. If HUD's consultations with Congress had been

substantive and continuous, HUD would have known that support did not exist for these initiatives and would not have included them in its plan. HUD's inclusion of these initiatives in its Plans gave the impression that the initiatives existed and were approved, which could mislead the general public.

Previously, NAPA found similar consultation problems.

NAPA evaluated HUD's GPRA implementation status and, in July 1999, found similar problems with HUD's consulting process for its prior Strategic Plan. NAPA stressed that HUD's strategic planning process should be more participatory and consultative.

“Strategic Planning by the department's top leadership should not be just a once-a-year drill to comply with a legislative requirement.”³³

NAPA also said that sending documents out for review is not the best form of consultation and participation. NAPA stressed that consultations are productive. Further, NAPA commented that consultations with stakeholders are important creative sources of new ideas about desired outcomes, how things are working, and customer satisfaction. NAPA also reported that constituency groups with whom it met were eager to share their insights and anxious to have an opportunity to consult directly with HUD.³⁴

Even though HUD technically met GPRA's consultation requirements, in truth, its consultations did not fulfill the intent of GPRA. HUD's meetings were not of an ongoing, substantive, and iterative nature. HUD's lack of documentation made the consultations it did hold less meaningful since HUD lacks information on the topics and views discussed. In order for HUD's Plans to be more meaningful and useful documents, HUD needs to meet on an ongoing basis with OMB, Congress, and its stakeholders. Further, HUD should, at a minimum, adhere to the same documentation standards that it required its contractor to meet to ensure that it maintains sufficient documentation of consultations.

³³ *GPRA in HUD, Changes for the Better*, issued by NAPA in July 1999.

³⁴ *ibid.*

HUD Comments.

HUD agreed it could have: (1) done more in the area of stakeholder consultations; (2) followed a more formal planning process; and (3) improved its documentation of consultations. However, HUD disagreed that this rises to the level of actionable findings by the OIG. The Department also disagreed that its stakeholder consultation process lacked meaningful planning, thought, discussion, and follow-through. HUD stressed that OMB guidance states that, “An agency’s existing consultation process can be used.” Further, HUD stated it made significant changes to its plan based on comments made during consultations and other input. In addition, HUD stated that OIG did not reflect all of the documentation that HUD provided nor did OIG request all information that HUD possessed.

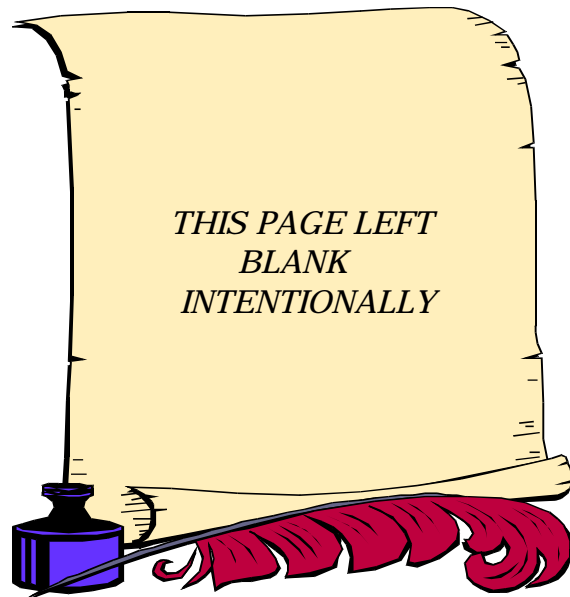
OIG Evaluation of Comments.

We commend HUD for recognizing that it could do more in the areas of planning, conducting, and documenting stakeholder consultations. Yet, based on HUD’s lack of documentation and stakeholders’ comments, HUD has not provided sufficient information to exclude this issue as a finding nor has it shown that its consultation process included proper planning, discussion, and follow-through. HUD is correct in stating that an agency’s existing consultation process can be used. However, HUD prepared a proposed consultation plan and then did not use it. HUD’s failure to implement and follow a plan contributed to its inability to fully comply with GPRA’s consultation requirements. HUD made some significant changes to its Strategic Plan. Some of the changes were the result of its contractor’s work. For others, HUD could not provide us documentation to show that the changes actually resulted from its consultation process. Finally, we carefully considered all of the documentation that HUD provided. HUD’s argument that OIG did not request all information is without merit. On numerous occasions, both verbally and by electronic means, we requested any documentation that HUD possessed on its consultations.

Recommendations.

We recommend that HUD prepare and follow:

- 5A. A formal strategic planning process that includes ongoing and substantive consultations with Congress, OMB, and stakeholders.
- 5B. A formal documentation plan for its strategic planning consultations with Congress, OMB, and stakeholders.



Management Controls

In planning and performing our audit, we obtained an understanding of the management controls that were relevant to our audit. Management is responsible for establishing effective management controls. Management controls, in the broadest sense, include the plan of organization, methods, and procedures adopted by management to ensure that its goals are met. Management controls include the processes for planning, organizing, directing, and controlling program operations. They include the systems for measuring, reporting, and monitoring program performance.

Relevant Management Controls.

We determined the following management controls were relevant to our audit objectives:

- **Planning/Implementation Process** - Activities to plan, monitor, and report on GRPA implementation, including tracking the progress of strategic planning, consultations, and performance planning and reporting. This also includes its process to ensure it meets mandated target dates for GPRA.
- **Documentation Process** - HUD's process to document discussions about and revisions to its plans and to document its consultations on its strategic plan.
- **Progress Monitoring Process** - HUD's process to monitor its progress toward meeting the goals and objectives established in its plans.

We assessed all of the relevant controls identified above.

Significant Weakness.

It is a significant weakness if management controls do not provide reasonable assurance that the process for planning, organizing, directing, and controlling program operations will meet an organization's objectives.

Based on our review, we believe the following items are significant weaknesses:

- HUD lacks a formal system of controls to track, monitor, and document its strategic planning and reporting processes.

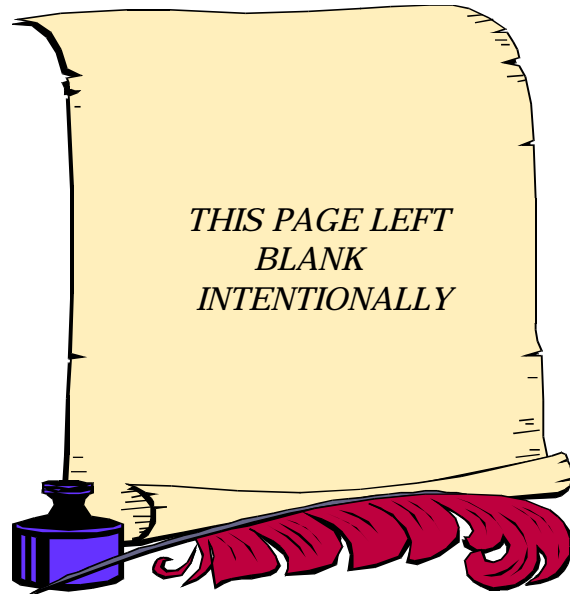
- HUD lacks a formal system of controls to plan, conduct, and document its consultations.

Social Services Provided under HUD Programs

Groups	Program Name	Eligible Services
Elderly and/or Disabled	Section 202 Supportive Housing for the Elderly	HUD provides limited funding for these services, but also requires them as a condition of funding the projects. <ul style="list-style-type: none"> • Meal service • Housekeeping aid • Personal assistance • Transportation services • Health-related services
	Section 811 Supportive Housing for Persons with Disabilities	HUD provides capital advances and project rental assistance for projects which provide supportive services for very low-income persons with disabilities.
	Congregate Housing Services	<ul style="list-style-type: none"> • Hot Meals • Non-medical supervision • Wellness programs • Preventative health screenings • Monitoring of medication • Non-medical components of adult daycare
	Multifamily Housing Service Coordinators	Employing/retaining the services of service coordinators. Funds up to 15% of the cost of the following services to residents. <ul style="list-style-type: none"> • Health-related services • Mental health services • Services for non-medical counseling • Meals • Transportation • Personal care • Bathing • Toileting • Housekeeping • Chore assistance • Safety • Group and socialization activities • Assistance with medications • Case management • Personal emergency response
Homeless and/or Mentally Ill	Supportive Housing Program	<ul style="list-style-type: none"> • Child care • Employment assistance • Outpatient health services • Case management • Help in getting permanent housing • Nutritional counseling • Security arrangements
	Shelter Plus Care	Grantees must match rental assistance with supportive services that are at least equal in value to the amount of HUD's rental assistance.

Groups	Program Name	Eligible Services
Homeless and/or Mentally Ill	Emergency Shelter Grants	Supportive services concerned with: <ul style="list-style-type: none"> • Employment • Health • Drug abuse • Education • Homelessness prevention activities
Persons with HIV/AIDS	Housing Opportunities for Persons with AIDS (HOPWA)	<ul style="list-style-type: none"> • Health • Mental health • Assessment • Permanent housing placement • Drug and alcohol abuse treatment and counseling • Day care • Personal assistance • Nutritional services • Intensive care when required • Assistance in gaining access to local, state, and federal government benefits and services
Public Housing Residents and/or Low-Income Families	Family Self-Sufficiency Program	<ul style="list-style-type: none"> • Child care • Transportation necessary to receive services • Remedial education • Education for completion of high school • Job training and preparation • Substance abuse treatment and counseling • Training in homemaking and parenting skills • Training in money management • Training in household management
	Public Housing Drug Elimination Program	Eligible activities include a wide range of measures that combat crime and drugs--ranging from basic security activities to recreational and educational activities: <ul style="list-style-type: none"> • Training and equipping voluntary tenant patrols as one component within a comprehensive set of anticrime activities • Innovative anti-drug programs • Funding nonprofit resident management corporations and tenant councils to develop security and drug abuse prevention programs. • HUD emphasizes comprehensive anticrime measures and youth initiatives.
	Moving to Opportunity Demonstration Program	<ul style="list-style-type: none"> • Housing counseling
	Welfare to Work	<ul style="list-style-type: none"> • Job training and placement • Mentoring • Counseling • Transportation • Child care

Groups	Program Name	Eligible Services
Public Housing Residents and/or Low-Income Families	Resident Opportunities and Self-Sufficiency (ROSS) Program	<ul style="list-style-type: none"> • Addressing conflicts related to gang violence • Training to address racial, ethnic, and other diversity • Workshops for youth services • Training on how residents can start their own businesses • Creating credit unions • Job training • Job placement • Child care, transportation, and family counseling • Personal assistance with daily activities • Transporting residents to medical appointments, shopping, and other locations • Nutritional meals, wellness programs, health education, and referrals to community resources • Congregate services • Physical improvements to provide space for supportive services
	Bridges to Work	<p>Provides three types of assistance:</p> <ul style="list-style-type: none"> • Placement into existing, private sector suburban jobs • Transportation to those suburban jobs • Supportive services to help new workers maintain their jobs, including: <ul style="list-style-type: none"> - Child care - Counseling - Crisis intervention <p>A key part of the demonstration is formation of regional collaboratives to provide job linkage services.</p>
	Youthbuild	<p>Youthbuild pays for the costs of:</p> <ul style="list-style-type: none"> • Ongoing training, technical assistance, education, job training, counseling, employment and leadership development services and activities • Wages, benefits and need-based stipends for participants • Entrepreneurial training, drivers' education, internships, programs for those with learning disabilities • In-house staff training
	Community Development Block Grant	<p>Public Service Activities:</p> <ul style="list-style-type: none"> • Employment • Crime prevention • Child care • Health • Drug abuse • Education • Fair housing counseling • Energy conservation • Welfare • Recreational needs

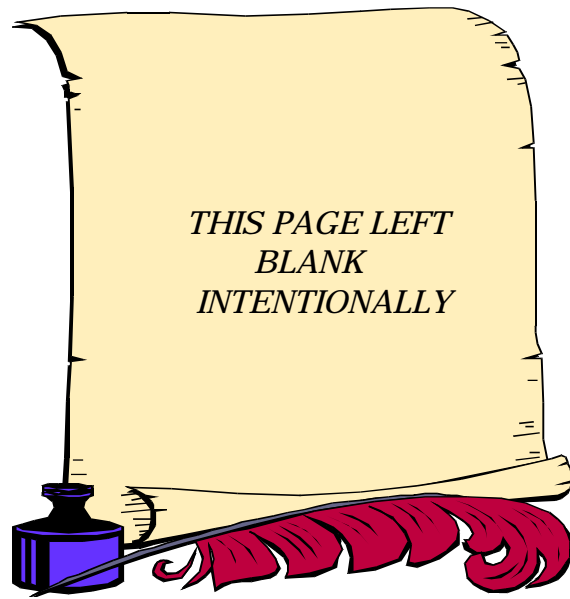


Indicators³⁵ Lacking Baselines

FY 2001 Annual Performance Plan

No Baseline in Annual Performance Plan	Baseline to be Established in 2001	Baseline to be Established in 2002
1.2.d	1.2.4.5	1.1.7
1.2.f	1.2.m	4.2.1.3
1.2.g	1.3.8	
1.2.h	2.2.3	
1.2.o	3.2.d	
1.3.d	3.2.2	
1.3.e	4.1.e	
2.1.3	4.2.f	
2.1.b	4.2.6	
2.1.4	5.1.4	
2.1.f	5.1.f	
2.2.1	5.1.g	
3.1.2	5.1.h	
3.2.6	5.1.j	
3.2.e		
4.1.d		
4.2.1		
4.2.1.7		
4.2.1.9		
4.2.c		
4.3.2		
4.3.2.3		
5.1.1		
5.1.2		
5.1.5		
5.1.6		
5.1.d		
5.1.i		
5.1.k		
5.1.9		
5.1.L.1		
5.1.L.5		
5.2.1		
Totals: 33	14	2

³⁵ Total number of indicators—161.



Auditee Comments



U. S. Department of Housing and Urban Development
Washington, D.C. 20410-0100

OFFICE OF THE CHIEF FINANCIAL OFFICER

APR 27 2001

MEMORANDUM FOR: D. Michael Beard, District Inspector General for
Audit, 6AGA

M. Harris for
FROM: Victoria L. Bateman, Deputy Chief Financial Officer, F

SUBJECT: Management Comments on OIG's Initial Draft Report on
HUD's Compliance with the Government Performance and
Results Act

We are writing to provide written comments on the subject draft report, which was initially provided for our review and comment on March 8, 2001. We appreciate the Office of Inspector General's (OIG) earlier agreement to extend our review and comment period, given that this was our first opportunity to respond to many of the OIG's draft finding issues, and the key staff involved in administering HUD's GPRA activity were devoted to completing the FY 2000 Performance and Accountability Report, the FY 2002 Annual Performance Plan, and the FY 2002 Budget.

We also appreciate the opportunities that were provided to meet with OIG staff to review our comments on the draft report. As we discussed in those meetings and in preliminary comments provided to the OIG, the draft report contains a number of statements that are either incorrect or taken out of context. It also omits a number of significant facts that demonstrate that the Department has taken its GPRA responsibilities quite seriously. The auditors have indicated a willingness to correct some of these statements and acknowledge some of these omissions. In our view, however, the specific changes they have agreed to make do not go far enough in responding to the evidence we have presented. In the final report, we urge the OIG to consider further changes to better align the tone and substance of the report with a fair view of the evidence.

At our April 12 session with the auditors, we expressed our general agreement with many of the OIG's recommendations for further needed improvements to HUD's GPRA processes, including the need for:

- Clearer goals, measures and baselines for many of our performance indicators,
- More complete and balanced coverage of HUD's inventory of program activities in its Strategic and Annual Performance Plans,
- Increased management use of GPRA information for budget and resource allocation decisions, and
- Better documentation of some aspects of HUD's GPRA processes.

However, we also indicated that this initial presentation of draft finding issues was generally lacking in balance, with an overall negative tone that is unsupported by the evidence presented to the OIG. In some cases, the conclusions expressed in the presentation are based on errors or omissions that have been pointed out to the OIG. In these cases, we assume the OIG will not only correct the factual statements but correct or moderate the conclusions based on them as well.

The draft presentation also includes a number of derogatory characterizations of HUD's performance that are both unsupported by the facts discussed in the draft report and unnecessary to support the report's recommendations. Both orally and in writing, the OIG has expressed a willingness to consider changes to the tone of the report. As part of this review, we urge the OIG to reconsider these characterizations in light of the additional evidence presented to them since the preparation of the draft report to ensure that the overall tone of the report is fair and balanced. In the event OIG does not issue a revised draft report for management's consideration, we request that this response be included in the final report in its entirety.

Should you or your staff have any questions on our comments, please contact Kenneth Leventhal of our Office of Budget, on (202) 708-3286, extension 6849.

Attachments

cc:
GA Heist 8286

**Management Comments on OIG's Draft Report on HUD's Compliance
with the Government Performance and Results Act**

Introduction

The Department acknowledges that there is room for improvement in its strategic planning process. The draft report raises a number of legitimate concerns that the Department will work to address as it continues to refine its strategic planning process.

At the same time, the draft report provides a highly unbalanced view of the Department's efforts to comply with the requirements of the GPRA. A reader of the report would be led to believe that the Department has not made a serious and good-faith attempt to comply with the GPRA, has deliberately misled Congress and the public and has produced annual performance plans and reports that are so "skewed" as to be useless to Congress and other readers.

Contrary to the implications of the draft report, the Department has made tremendous strides in improving its annual performance plans, annual performance reports and strategic plans and developed plans that not only comply with the mandates of GPRA but also provide useful and relevant information on HUD's performance to HUD management and Congress. As noted above, there is certainly room for improvement. But no fair reader of HUD's plans can conclude that it has not made a serious good-faith effort to comply with the GPRA.

HUD's good-faith efforts to comply with GPRA, and its significant progress in doing so, has been recognized by the National Academy of Public Administration (NAPA), the General Accounting Office (GAO) and by Congress. In the FY 1998 appropriation act, Congress provided funding for NAPA to review HUD's compliance with GPRA. The July 1999 NAPA report, "GPRA in HUD, Changes for the Better" states (pp. vii-viii):

The panel was pleased that HUD adopted many of the suggestions made informally by Academy staff during the course of this review. The department deserves credit for actively soliciting additional suggestions from the Academy as it developed its fiscal year (FY) 2000 APP.

NAPA did view the Department's 1999 APP "...as a series of individual parts, with missing pieces." However, the NAPA report (p. 41) recognized that HUD has made improvements in integrating strategic planning into its operations, stating:

The team tasked with developing the FY 2000 APP held extensive and repeated meeting with program managers at the program director, deputy assistant secretary, and assistant secretary levels to ensure that they agreed with the indicators, targets, and activities that would accomplish the stated objectives.

NAPA also noted (p. 41) that, "OMB thoroughly reviewed HUD's FY 2000 APP and provided extensive comments" and that (page 31) HUD incorporated much of the Academy's strategic framework thinking.

The NAPA report provided a step by step model on how to fully implement appropriate GPRA processes. In preparing the FY 2001 APP and new Strategic Plan, the Department engaged in a good-faith effort to follow NAPA's advice. The Department also initiated further discussions with the NAPA team to obtain additional helpful feedback.

To similar effect, GAO reviewed the Department's FY 2001 APP (Report B-285487), the same document audited by the OIG. The report found (p. 3) that the APP represented a substantial improvement over that of earlier years:

In its fiscal year 2001 performance plan, HUD continued to refine its performance goals and measures, generally on the basis of its expected performance for fiscal year 2000. HUD also addressed three of the four key weaknesses that we identified in its fiscal year 2000 performance plan.

A further validation of HUD's good-faith efforts to comply with GPRA and its improvement over earlier years is contained in a letter to the Department from Chairman Leach of the House Banking Committee dated May 5, 1999. This letter states:

Our staff, both majority and minority, has reviewed the plan (FY 2000) at length with Department Officials as well as the General Accounting Office. It is our general observation that the FY 2000 plan complies with the statutory requirement of the Government Performance and Results Act. The Committee concurs with GAO's assessment that HUD's plan appears to cover all of HUD's program activities, discusses strategies for achieving FY 2000 objectives, and provides outcome and output indicators that are generally results-oriented and measurable.

Although this letter addresses the FY 2000 Plan, that plan formed the basis for the FY 2001 plan. The primary changes reflected in the FY 2001 Plan were made to address concerns raised by Congress and the GAO on the 2000 plan.

Further evidence of the Department's good-faith efforts to comply with GPRA and improve its strategic planning documents comes from its interaction with the Council on Excellence in Government. The Department voluntarily agreed to a review of its draft Strategic Plan by the Council, welcoming the opportunity for feedback. During the course of preparing the Strategic Plan audited by the OIG, a meeting was held bringing together a panel of experts familiar with the Department and HUD's GPRA team. The Council affirmed the general approach taken by the Department and the GPRA team incorporated into the Strategic Plan many of the suggestions made by these independent experts.

Finally, plans for and/or drafts of the Strategic Plan and Annual Performance Plans were commented upon by various Congressional staff, the Office of Management and Budget, stakeholders, as well as HUD field and headquarters staff. HUD provided the OIG with extensive documentation of internal and external meetings, draft reports, and other materials that demonstrate that HUD made a good-faith effort to comply with the requirements of GPRA.

Additional corroboration of HUD's progress in implementing strategic planning may be obtained by speaking with OMB staff who have provided very positive oral feedback on HUD's draft plans.

We recognize that the OIG is not bound by the findings of NAPA, GAO, Congress or OMB. To the extent that the OIG has uncovered weaknesses in our GPRA compliance that were not apparent to these reviewers, we welcome the feedback. But to provide such a one-sided and negative assessment of HUD's compliance with GPRA – to the point of asserting that HUD went about GPRA entirely backwards – in the face of all these other findings to the contrary, does not present a balanced view of HUD's GPRA compliance.

Detailed Comments

The balance of HUD's comments are contained in the chart that follows.

Management Comments on OIG’s Draft Report on HUD’s Compliance with the Government Performance and Results Act

Draft Report Reference	Management Comment
Executive Summary	As with the draft report, the draft Executive Summary does not provide a fair and balanced assessment of the evidence. To avoid repetition, we have reserved the bulk of our substantive comments for the report itself. Many of these comments also apply, however, to the Executive Summary. We urge the OIG to revise the Executive Summary to respond to the comments we make on the corresponding sections of the draft report and to reflect a fair and balanced view of the evidence.
cover letter, 3 rd line; Page iii (Executive Summary); and Page iv	Please add the words “FY 2001” to clarify which Annual Performance Plan was specifically covered by this review. The words “current...Annual Performance Plan” are ambiguous because APPs are finalized at least six months before the fiscal year begins, while another APP is in effect. Furthermore, APPs may be revised to reflect appropriations.
Page iii: “Although GPRAs prohibit an agency from using contractors to draft its plans, Congress directed HUD to contract with NAPA to seek assistance in preparing its plans.”	The statement is incorrect. NAPA was not involved with preparing HUD’s plans. The FY 1998 appropriation bill (Public Law 105-18) requested a NAPA “review of HUD’s compliance with GPRAs,” and did not direct that HUD was “to seek assistance in preparing its plan.” As part of this work, NAPA provided suggestions for strategic goals and for how to improve the GPRAs process within HUD. As there was no involvement of contractors in the drafting of plans, confusion exists with the inclusion of the summary finding statement “HUD appropriately limited the involvement of contractors...” and the above “Although GPRAs prohibit...” statement. It may make sense to eliminate the entire reference to the use of contractors.
Page 1: “GPRAs mandated that HUD establish a system for strategic and annual performance planning...”	GPRAs provide for the preparation and submission of documents but does not prescribe the managerial structure for the planning process.
Page 8: Title and summary of Finding One	Both the title of this section and the summary present unbalanced and unnecessarily derogatory characterizations of HUD’s performance. The use of the term “skewed” is particularly objectionable. It is based largely on an analysis – the chart on p. 13 – that is flawed and which the OIG has agreed to withdraw. It is also based on claims that HUD’s performance plans omit certain specific programs, which HUD has demonstrated are in fact included in the plans.
Page 9: HUD has gone “about the GPRAs planning process backwards”	HUD strongly disagrees with this derogatory and unnecessary characterization of HUD’s compliance with the GPRAs. The OIG offers no support for this statement beyond an off-hand comment from a HUD staff person. All seven of the key staff who guide the Department’s GPRAs process met with the auditors on April 20th and informed them that the statement made by “a staffer” that HUD did GPRAs “backwards” is completely false. It is also inconsistent with the findings of NAPA, Congress and the GAO, discussed in the introduction, which have all found that HUD’s compliance with GPRAs has substantially improved and reflects a serious and honest attempt to meet HUD’s obligations.
Pages 9 -- HUD’s Social Service Programs missing from	It is important to distinguish between the question of whether HUD should be funding social service programs and the question of whether HUD’s FY 2001 annual performance plan and FY 2000-2006 strategic plan disclose the full extent of these

<p>HUD's mission – and 10 – HUD fails to disclose the full extent of its social service programs.</p>	<p>programs.</p> <p>HUD agrees that some of its programs provide services that can be characterized as “social services.” HUD is in the process of reviewing these and other HUD programs to determine what changes are appropriate and feasible to better focus HUD on its core mission.</p> <p>HUD does not agree, however, that it has failed to disclose to Congress and others that it is providing social services. These services are fully disclosed in the FY 2000-2006 Strategic Plan, the FY 2001 Annual Performance Plan, and the accompanying budget submissions.</p> <p>HUD has five Strategic Goals. One of those Goals – Promote Housing Stability, Self-Sufficiency and Asset Development of Families and Individuals -- is devoted entirely to the supportive services programs that the draft report asserts HUD is hiding from the public and Congress. As such, it is placed on par with HUD's other Strategic Goals, including Goal 1: Increase the Availability of Decent, Safe and Affordable Housing in American Communities.</p> <p>HUD's reports also prominently discuss these services in introductory sections. For example, page two of the Strategic Plan contains the following description of “key activities of the Department: . . . Help families and individuals make progress towards self-sufficiency by providing housing assistance, job training, and other supportive services . . . [and p]rovide grants to community-based organizations and local governments to support a full range of assistance to people who are homeless so that they can move to permanent housing.”</p> <p>It is certainly true, as the auditors pointed out in an April 12 meeting, that the title of Strategic Goal 3 does not contain the words “social services.” But a disagreement over the wording HUD has chosen for its strategic goal is hardly a basis for an accusation that HUD has failed to disclose the nature of its programs. Moreover, GPRA is intended to focus on outcomes, not means to those outcomes. The current phrasing of Goal 3 properly focuses on the outcomes sought to be achieved through HUD's supportive services programs, rather than the means (i.e., services) of achieving them.</p> <p>The same points apply to the draft report's argument that HUD's mission statement does not encompass the supportive services it provides. According to the Strategic Plan, HUD's mission is to “Promote adequate and affordable housing, <i>economic opportunity</i>, and a <i>suitable living environment</i> free from discrimination” (emphasis added). As HUD staff pointed out to the auditors on April 12, by “economic opportunity” they meant to reflect the outcomes of services that help families move from welfare to work and otherwise attain self-sufficiency and by “suitable living environment,” they meant to reflect the outcomes of services that help the elderly and disabled to maintain maximum independence while living in assisted housing. Even if the auditor continues to disagree with the precise wording of the mission statement, these are certainly reasonable arguments that do not support a finding of misleading anyone. Again, the draft report is quibbling over semantics and focusing on means rather than outcomes.</p> <p>As a primary basis for this finding, the draft report cites a failure to properly cover the services provided to elderly and disabled households. This reflects a lack of familiarity with HUD's Strategic Plan. As indicated in the table of contents, Objective 3.3 is titled: “The elderly and persons with disabilities achieve maximum independence” and covers precisely</p>
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	<p>those programs that the draft report says HUD has left out. This Objective was added based on the consultations with stakeholders conducted in preparing the Strategic Plan.</p> <p>The auditors have indicated that they will give HUD “credit” for including Objective 3.3 in the Strategic Plan. While we appreciate this change, we do not believe it is a sufficient response. A full response would revise the report to acknowledge that HUD <i>has</i> disclosed in its strategic planning documents that it provides a range of supportive services. It also would clarify that HUD has disclosed all of the programs listed in the table on p. 10 in its plans.</p> <p>In meeting with the auditors in April, they indicated that they believed HUD had not fully disclosed that HUD provides services through HOPWA. However, HOPWA is mentioned more than 20 times in the APP and Strategic Plan. For example, page 49 of the Strategic Plan states: “The Housing Opportunities for Persons With AIDS (HOPWA) program provides housing and supportive services to low-income people living with HIV/AIDS and their families.” Similarly, the FY 2001 Annual Performance Plan states on page 212 that services are an eligible activity under HOPWA.</p> <p>One further clarification. There is an important distinction between actually providing social services with HUD funds and using HUD funds to pay for the costs of a service coordinator to help link families with existing social services in the communities. Many of the programs in the table on page 10 follow the latter model.</p>
<p>Page 10: “HUD did not establish indicators to fully measure the results of its social service programs...”</p>	<p>In addition to the points made above, the report fails to recognize or cite a number of indicators that measure social services for the elderly, including 1.2.4, 1.2.4.5, and 1.2.g. Indicator 1.2.g directly measures the output of the Section 202 and 811 programs, which the report states are social service programs. The number of households assisted with HOPWA also is included in indicator 1.2.d.</p>
<p>Page 11: HUD’s fifth Strategic Goal – Ensure the Public Trust – is unmeasurable.</p>	<p>The fifth HUD Strategic Goal – Ensure the Public Trust – covers the management of HUD and its partner agencies, such as housing authorities and private owners. Given the history of management concerns at HUD, this is an extremely important Strategic Goal.</p> <p>OMB Circular A-11 (p. 530) states that “Agencies may choose to describe actions being taken to address and resolve significant management problems. Including this description is particularly important for those problems of a mission-critical nature, or which prospectively and realistically threaten achievement of major program goals. Agencies may establish performance goals covering priority actions on key problems . . .” Senator Thompson, Chairman of the Senate Government Affairs Committee, has also expressed a strong desire that the strategic and performance plans help to identify and correct instances of fraud, waste and abuse.</p> <p>HUD believes that the inclusion of a fifth strategic goal focused on management concerns is consistent with the direction from OMB and Congress. Indeed, the Senate Government Affairs Committee’s oversight of GPRA led HUD to increase coverage of its management deficiencies in its Strategic Plan and APP. The inclusion of this goal is also consistent with HUD’s scandal-ridden history, and its previous notoriety as the only “high risk” Cabinet level agency in the Federal government. We note that a number of other Federal agencies have established similar quality management goals for focusing on those elements for fostering high performance, including the Departments of Education and Transportation.</p> <p>The draft report argues that Goal 5, and some of the indicators within Goal 5, are</p>

unmeasurable. While we are open to suggestions for how to strengthen our measurement of management competence and performance, we believe the draft report focuses unduly on the titles of the Goal and the indicators and not enough on their substance. The important question is whether the indicators provide meaningful measures of management performance, not whether their titles are worded in the manner desired by the auditors.

Among other clearly measurable and important indicators included in Goal Five are indicators that:

- Assess whether HUD's books and records are maintained in such a way as to permit the OIG to render an unqualified audit opinion;
- Assess HUD's progress towards performance-based contracting;
- Assess the satisfaction of HUD employees and partners;
- Utilize the new PHAS, PASS and FASS systems to measure the quality of housing provided by PHAs and private owners;
- Utilize SEMAP to determine PHA compliance with Section 8 program rules, including rules regarding income verification; and
- Assess compliance with data reporting requirements.

The GAO report (Report B-285487) (pp. 33-34) stated under GAO's Observations on HUD's FY 2000 Planned Performance for the Key Agency Outcome of Less Fraud, Waste, and Error in HUD's Programs:

The fiscal year 2000 annual performance plan was substantially revised to include a strategic goal to 'Restore Public Trust in HUD.' . . . In general, the changes to the goals and measures focus more on the programmatic outcomes that HUD plans to achieve, rather than the broader management reform goals and measures that were in the fiscal year 1999 annual performance plan. As a result, these goals and measures may be more useful than those in the fiscal year 1999 annual performance plan. In the fiscal year 2000 plan, HUD listed means and strategies that, in general, supported the strategic goal to restore public trust in HUD.

With respect to Strategic Goal 5 of the FY 2001 APP, GAO states (p.35): "In general the changes provide a clearer picture of HUD's intended performance regarding the performance goals. They serve to make clearer statements of expected performance to compare with actual performance in subsequent years." GAO's comments also commend the addition of a measure to earn data quality certification stating that, "Both GAO and the Inspector General have reported that HUD's information and financial management systems have continued to be a problem. HUD reports that additional planning is under way to continue addressing this issue." These efforts are continued in the FY 2002 APP.

The draft report asserts (p. 10) that the title "Ensure the Public Trust" is a platitude developed by the prior HUD Secretary. Without commenting one way or the other on this assessment of the prior HUD Secretary, we think this comment misses the point, which is whether the substance of the Goal makes sense and whether the measures included in

	<p>support of the overall goal are meaningful. We would welcome specific suggestions for areas of management performance that are not adequately covered already in Goal Five. (For example, in discussing this issue with the OIG auditors in April 12, someone suggested that we should consider trying to develop better measures of employee productivity. This is the kind of constructive comment that can be useful to focus our efforts to improve the APP.)</p> <p>While we have not researched the question of who invented the term “ensure the public trust,” we note that the 1999 NAPA report (at p. 18) states: “HUD’s history was scarred by corruption in the 1980’s and a deterioration of administrative systems that undermined the department’s integrity. <i>Restoring public trust</i> in the Department is necessary before HUD can pursue its program goals successfully in concert with its service delivery partners and the public.” (emphasis added).</p>
<p>Page 11, there is no way to measure that HUD’s workforce is empowered, capable and focused on results.</p>	<p>In meeting with the auditors on the draft final report, it became apparent that their concerns regarding a number of the indicators in Goal five were based partly on the titles and partly on their belief that surveys of customers, employees and partners are not valid ways to measure public trust or Strategic Objective 5.1: “HUD and HUD’s partners effectively deliver results to customers.”</p> <p>Customer and employee surveys are common in the public and private sectors for assessing management performance. Customer and employee satisfaction are core components of the widely-used Balanced Scorecard management approach. The National Partnership for Reinvention, the American Customer Satisfaction Index, and the Federal Performance Project survey conducted by Government Executive magazine are prominent examples of surveys used to assess performance of Federal agencies. A basic review of Annual Performance Plans across the government shows that customer satisfaction is frequently used to measure performance. State governments similarly rely on surveys for performance management. Texas guidelines state that the use of employee surveys is “a trend that should be followed in state government” (<i>Instructions for Preparing and Submitting Agency Strategic Plans for Fiscal Years 2001-05</i>, State of Texas, 2000). Customer satisfaction and employee satisfaction are criteria for both the private sector’s Malcolm Baldrige National Quality Award and the Federal sector’s President’s Quality Award Program.</p> <p>An Urban Institute book about customer surveys shows that they constitute a valid methodology for “assessing customer’s views about the quality and effects of agency services” and “measuring whether changes in service delivery have produced the desired results,” among other uses. The book also counsels that “information on customer perceptions and experience may provide a different, but still highly relevant, perspective on information obtained from other sources, such as agency records.” (<i>Customer Surveys for Agency Managers</i>, Harry P. Hatry et al, 1998). Joint Program in Survey Methodology course materials state that customer satisfaction is an “unambiguous performance measure” (<i>Customer Satisfaction: Measurement and Management</i>, Ruth N. Bolton, 1998).</p> <p>HUD also has found this approach valuable. The performance indicators under Goal 5 represent a good-faith effort to measure the management outcomes that matter to the public, and to gauge the public’s response. We believe that strong management performance and customer satisfaction are important components of ensuring the public trust.</p> <p>HUD is willing to take the OIG’s recommendations regarding the titles of Goal Five and some of the indicators under advisement. However, we note that the public’s trust in government is commonly measured and reported by respected research organizations. For example, the Pew Research Center and the American National Election Studies provide trend data going back at least to 1988, based on whether</p>

	<p>respondents “trust the government in Washington,” tabulating responses for “just about always/most of the time; only sometimes/never; or don’t know.”</p>
<p>Page 11, Side Caption that reads: “HUD’s Annual Performance Plan showcases Presidential initiatives”</p>	<p>This OIG sub-finding generally infers that HUD’s references to Presidential initiatives in its GPRA reporting are somehow inappropriate, and that such references in HUD’s FY 2001 APP constituted political rhetoric that was not focused on the core mission, goals and results of the agency.</p> <p>Without expressing any opinion on the nature of the initiatives started by the prior Administration or of its rhetoric, we note our strong disagreement with the principle that Presidential initiatives should not be included in the APP. As the principal elected policy maker in the United States, the President should be expected to have influence on HUD’s goals, as well as those of other agencies. The President and the HUD Secretary are entitled to include their initiatives in their budget documents and the accompanying Annual Performance Plan.</p> <p>Elsewhere, the draft report highlights the importance of disclosing initiatives to the public and Congress. If Presidential initiatives are omitted from the APP how can this goal be achieved?</p> <p>While the finding reports the frequency of HUD’s references to Presidential initiatives in its FY 2001 APP, (reported as 39 references to 10 initiatives) it provides no specific information on those individual references, or on how they fail to apply to HUD’s core mission, goals and results. In looking at the very first reference to a Presidential initiative on page 2 of the FY 2001 APP, the reference to the “President’s National Homeownership Strategy” as an “external factor” affecting Objective 1.1: “Homeownership is increased,” seems very appropriate and relevant to HUD’s core housing mission.</p>
<p>Pages 12-13: “HUD’s Strategic and Annual Performance Plans present a skewed view of the agency” because they do not “contain a balance between its budget and indicators”</p>	<p>This conclusion is based on a chart on p. 13 that the OIG has agreed to withdraw. We welcome this withdrawal as we do not believe the analysis underlying it is sound.</p> <p>The OIG has not indicated whether it will go beyond withdrawal of the chart to change the conclusion it draws from the chart that HUD’s plans “present a skewed view of the agency.” Accordingly, we reprint here our earlier criticisms of the analysis used as the basis for this conclusion.</p> <p>The draft report’s conclusion that HUD’s plans are skewed is based on a comparison of the percentage of new discretionary budget authority by HUD Office to the percentage of indicators by Office. (This comparison was portrayed graphically in a chart on p. 13.) Not surprisingly, these percentages do not match. It is not clear how the auditors determined which indicators applied to which office, as some indicators clearly apply to more than one office. In any event, this comparison, while interesting, does not support the draft report’s findings.</p> <p>One problem with the comparison is that it only includes new discretionary budget authority and does not represent all funding available to help families. For example, the 5 percent of the budget listed for the Office of Housing does not recognize the enormous FHA programs, such as single-family mortgage insurance, that are off-budget with considerable risk. These programs have a large impact and thus merit APP indicators, even if they do not require new discretionary budget authority.</p> <p>There are numerous other technical problems with the analysis. For example, the figure for the Office of Housing appears to overlook the new discretionary budget</p>

authority for the project-based Section 8 program, which itself is over 10 percent of HUD's budget. In addition, by focusing only on new budget authority, the analysis ignores the effects of multi-year contracts that do not require new discretionary budget authority but which still have significant outlays.

In any event, even if the analysis captured all funding available, the appropriate question is not whether the number of indicators reflects the percentage of budget authority but rather *whether critical performance dimensions of major programs are represented adequately*. If you can adequately capture all major outcomes of a large program with just three or four indicators, there is no reason to put in more just because the program is large.

Another problem with the draft report's analysis is that it conflicts with other recommendations in the report. The gist of the draft report's point is that the number of indicators should be commensurate with the importance of the program in dollar terms. The implication of this point is that HUD should focus on the big programs and devote few if any indicators to the small programs. Elsewhere in the report, however, the auditors criticize HUD for failing to include indicators for some of its smallest programs. For example, Finding 3 argues that HUD should include measures of its international activities, even though HUD devotes little or no program funding to it (though it does consume a very small amount of staff resources). On page 18, the OIG argues that HUD should include measures for the Community Empowerment Fund, which was funded at \$25 million in FY 2000 – a tiny fraction of HUD's budget.

This contradiction in the reasoning of the draft report is no surprise as the issue of how to treat small programs is a difficult one. Throughout the strategic planning process, the Department has wrestled with a number of related difficult questions. These include:

- Do our indicators cover the full range of desired and measurable outcomes of our major programs?
- How should we treat smaller programs? Should they each have their own indicator? Should we try to aggregate smaller programs into a single indicator?
- Is there a danger that by providing too many indicators we will make the document so long that no one will read it?
- Are data available to support all of the desired indicators? Are the data reliable? Is the cost of creating new data or improving existing data worth the benefit in terms of any specific indicator?

We do not assume that we have answered these questions perfectly and acknowledge that there is room for improvement in our coverage. We also admit that, to some degree, our coverage reflects our assessment of what is measurable. So we cover some smaller programs that lend themselves easily to performance measurements and omit others that are more difficult to measure. However, we believe that we have thoroughly covered all of HUD's major programs and included indicators tied to each of HUD's P&Fs, as required by OMB Circular A-11.

The draft report gives the Department no credit for having thought through these questions in a serious way and instead tries to present a data comparison that it believes demonstrates that HUD's approach is entirely "skewed." A more constructive approach, in our view, would be to acknowledge the difficulties of these issues, give HUD credit for what it has done thus far to expand its program coverage, and provide specific suggestions for programs

	that ought to receive more coverage or less coverage. We would welcome these comments.
Page 14	<p>Response to Recommendations for Finding One</p> <p>1A. Revise the mission statement to include its social service programs.</p> <p>HUD believes that its mission statement already covers the full range of HUD's programs, but will take the OIG's recommendation under consideration for future strategic planning processes.</p> <p>1B. Revise its fifth strategic goal and the indicators under this goal so it can be easily defined and measured. Further, ensure that the indicators support the achievement of the goal.</p> <p>HUD will take the OIG's suggestions for changes in the titles of Goal Five and certain indicators under advisement. HUD agrees to continue to work on strengthening this Goal to ensure that all measurable aspects of management performance are fairly captured. We would welcome specific suggestions for areas that are not fully covered by indicators.</p> <p>1C. Revise its Plans to ensure that a balance exists between what HUD is measuring in its Plans and the programs it is funded to operate.</p> <p>HUD will continue to assess whether it has fully and fairly covered all of the measurable outcomes of its programs and make changes accordingly. HUD agrees that the Plans should be balanced but does not agree that there should be a direct correlation between the number of indicators for each program and its cost. We would welcome specific comments identifying major programs that we have not covered adequately in the APP.</p>
Page 17: HUD's current increases in programs, initiatives, and activities are not openly reflected in its 2001 Annual Performance Plan.	<p>This section leads off with a review of some of the history of program counts by HUD, the OIG and GAO. Among other points, the draft indicates that the number of programs at HUD has increased. HUD agrees that this presents a significant management challenge and is considering how best to address it.</p> <p>However, the Department does not necessarily agree that HUD has failed to disclose its program growth in its Annual Performance Plans. On pp. 17-18, the draft report cites four initiatives and states: "Yet, HUD did not separately list any of these new initiatives in its Fiscal Year 2001 Annual Performance Plan." This is not a correct statement. Three of these four initiatives were identified as "Means and Strategies" in the FY 2001 APP. Teacher Next Door is found on page 4, the One Million Homes Initiative is discussed on page 3, and assisted living conversions is mentioned on p. 23 and given its own performance indicator: 1.2.g.5.</p> <p>It is also not correct to say (p. 18) that HUD "lists Community Development Block Grants (CDBG) as one entry in its Annual Performance Plan." In fact, the APP discusses many of the set-asides within CDBG and other similarly small programs. For example, pages 4 and 5 of the 2001 APP discuss the Self-Help Homeownership Opportunities (SHOP) Program, the work of Habitat for Humanity and the Mississippi Delta Initiative under Goal 1, Objective 1.1. Pages 108 and 109 list the Community Empowerment Fund (CEF), Youthbuild and the Resident Opportunities and Supportive Services (ROSS) program under Strategic Goal 3, objective 3.2. Page 138 lists Community and Interfaith Partnerships under Strategic Goal 4, objective 4.2.</p>

	<p>The auditors have indicated that they will clarify that they meant that HUD had not listed these programs in certain tables. We welcome the clarification but believe that more is needed to bring the OIG report into line with the facts. The fact is that HUD has disclosed these programs. It may not be in the manner desired by the OIG, and we will certainly consider the OIG's recommendations for clearer presentations, but the facts simply do not support the draft report's implications that HUD has been dishonest or negligent in disclosing its programs.</p> <p>To some extent, this aspect of the draft report relates to the same difficult issue as in Finding One: how best to cover small programs. Given the challenging nature of this issue, it is not surprising that the draft report's comments contradict some of the points made in Finding One. For example, Finding One (pp. 11-12) is highly critical of HUD for showcasing presidential initiatives in the APP. According to that section, HUD should focus on its core missions and goals, rather than on these smaller initiatives. By contrast, under Finding Two, the draft report is highly critical of HUD for not discussing more of its smaller initiatives – some of them certainly political – more prominently in the APP.</p> <p>In considering the issue of program coverage, it is also important to remember that the APP is intended to accompany HUD's budget. Both of these documents "disclose" programs to the public and Congress. To the extent that some of the smaller budgetary set-asides are omitted from the APP, they are disclosed in the budget documents.</p> <p>HUD agrees that its performance plans should cover all of its programs in a sensible and balanced way. We welcome comments identifying important HUD programs that are not fully covered, as well as programs that are perhaps over-covered.</p>
<p>Page 18</p>	<p>The report speculates that Congress would be interested in the results of "individual set-aside programs" and concludes that HUD should measure results of CDBG set-asides separately.</p> <p>In consultation with OMB, HUD has chosen to include performance measures for the major set-asides (SHOP, Youthbuild, COPC), but has elected not to clutter the APP with minor activities. Furthermore, one of the three set-asides cited in the report, the Community Empowerment Fund, is in fact included in the budget table for Objective 4.1 (p.127) and has a specific performance indicator (4.1.b, p.131).</p>
<p>Page 18: "...HUD appears to have no consistent methodology for selecting initiatives to present in the APP."</p>	<p>HUD's primary goals are to include indicators for every P&F and to thoroughly cover all of its major programs. Beyond these primary objectives, staff are required to exercise judgment about what activities are relevant to and need presentation under multiple objectives, balancing conflicting objectives such as comprehensiveness and usable brevity, as well as measurability. Differences of judgment will always surround such decisions about presentation.</p>
<p>p. 19: Table showing growth in staffing.</p>	<p>A point about PD&R staffing levels that illustrates how this type of presentation can be misleading if not provided along with contextual information: Most of the increase shown in the draft report reflects a change made in 1999 to have HUD's field office economists report directly to PD&R, rather than an increase in PD&R staff per se.</p> <p>Since 1979, PD&R has had indirect responsibility for overseeing the work of these field economists, but as a technical matter they reported to the Deputy Undersecretary for Field Direction and Operation Support. The change to a direct reporting relationship was made to improve the quality of field economist work by ensuring they were supervised by economists</p>

	<p>in headquarters. Since the field economists perform work in connection with multiple program offices (Housing, PIH, and CPD), and since PD&R has most of the Department's economists, it makes sense for PD&R to coordinate.</p>
<p>Page 19: "Several of HUD's newly created organizations have drained resources from monitoring..."</p>	<p>The claim that staff reductions represent a loss of monitoring capacity needs to be put in context with the fact that the primary purpose of REAC and DEC is to monitor programs, and that HUD's consolidation of operations and adoption of technology have created efficiencies that compensate for staff reductions.</p> <p>The Staff Allocation table in the report contains staff levels that are incorrect and not comparable. The FY 2001 FTE numbers are from the FY 2001 APP Staffing table prepared by the Office of Budget, but the APP did not contain the incorrect FY 1997 FTE numbers presented in the draft report. Rather, IG developed the numbers from some source not credited in the report. According to HUD's FY 1999 Congressional budget justification, the actual total S&E FTE for 1997 was 10,117 FTEs rather than the 9,354 shown on the table.</p> <p>The Staff Allocation table incorrectly equates "supporting organizations" with "administrative" in its assertion of "HUD staffing decreasing and shifting to administrative areas" (bottom of page 18). The support includes program-related support as well as traditional administrative support. The comparison of FTE levels by organization for these two years is erroneous. The functions and staff levels for the new program support centers such as the Enforcement Center, the Assessment Center and OMHAR were included in the program areas during 1997 and included in REAC, DEC, and OMHAR in 2001. The zeroes for REAC, DEC and OMHAR for 1997 are fundamentally in error; resources were shifted through consolidation of HUD's assessment and enforcement functions. We shifted functions and related resources from program organizations into new functional centers to increase cost-effectiveness and the focus of those operations. In addition, these offices are not conducting administrative activities, but essential program-related activities that support the execution of program compliance and monitoring functions.</p>
<p>Page 20: HUD must reassess its current staffing allocations to ensure that it appropriately utilizes employees, meets its mission, and funds are not wasted or misused.</p>	<p>HUD agrees with the basic point that it should "continually reassess its current staffing allocations to ensure that it appropriately utilizes employees, meets its mission, and that funds are not wasted or misused." HUD also agrees that the Department will be in a better position to do this once REAP has been completed. Although REAP has not yet been completed, implementation is underway.</p> <p>In discussing this finding, the draft report spends a lot of time rehashing the findings of prior OIG audits on the results of "poorly thought-out staffing shifts" (p. 19) and very little time explaining how this relates to the FY 2001 Annual Performance Plan and the FY 2000-2006 Strategic Plan. The staffing shifts discussed on pages 18-20 and illustrated on p. 19 were made well before the 2001 Annual Performance Plan or the 2000-2006 Strategic Plan. Are the auditors saying that these plans ought to have reminded readers of the changes from prior years? Or that earlier plans should have reflected these changes? The report should be clearer about how this history relates to the subject of the audit.</p> <p>In the April 12 meeting, the auditors indicated that the purpose of this section was to encourage HUD to include enough information in its Annual Performance Plans to permit Congress and others to understand future staffing changes. This is a reasonable point that could be made in a concise and constructive way without going into so much detail about points that the OIG has made elsewhere. In any event, as we informed the auditors on April 12, HUD's FY 2002 annual performance plan will contain a table that shows staffing changes over a several-year-period. We would welcome suggestions for other additions that</p>

	could make our plans more useful in this regard.
Page 20: "HUD admitted that its Fiscal Year 2001 Annual Performance Plan was the Department's first effort at allocating HUD's staffing resources."	The statement is incorrect as written, and should be clarified by changing "resources" to "resources across strategic goals." It was the first time that HUD incorporated resources in the APP by strategic goal. However, the Department has always sought to make reasonable judgments about the allocation of available resources. For example, each Assistant Secretary under Management Reform carefully thought through resource requirements; those estimates were then reviewed and validated by a contractor. This effort was a short term approach taken while REAP—a better and more comprehensive system—was coming online.
Page 21	<p>On page 21, the draft report states that: "HUD's plans will not be useful tools until they accurately reflect all of HUD's programs and accurately tie its human resources to its objectives and goals listed in the Plans."</p> <p>HUD strongly objects to the statement that HUD's plans are not useful tools. It is one thing to say the OIG believes HUD's plans would be more useful if they reflected the auditors' recommendations. It is quite another to say they are useless. HUD acknowledges that there is room for improvement. However, the OIG has not provided evidence to support the statement that – contrary to the findings of GAO, NAPA, and Congress -- HUD's plans are not useful tools.</p>
Page 21	<p>Response to Recommendations for Finding Two</p> <p>2A. HUD needs to prepare and maintain a listing of all active and inactive programs, initiatives, and activities</p> <p>This is a point the OIG has raised on a number of occasions. It is not as simple as it sounds, however. As the draft report notes (p. 17): "HUD, NAPA, and OIG do not agree on what constitutes a program activity or initiative."</p> <p>2B. HUD's Annual Performance Plan needs to reflect all of HUD's programs, activities, and initiatives, including areas where program growth is occurring or planned.</p> <p>HUD agrees that the APP should provide thorough coverage of HUD's major programs and cover every P&F. HUD believes it has done so. HUD is continuing to consider how best to cover smaller programs and policies that do not have a specific P&F. HUD is open to suggestions for ways that its APP can be improved to better cover its programs.</p> <p>2C. HUD needs to accurately tie its staffing to its objectives and goals. Further, HUD needs to assess its staffing allocation to ensure HUD is able to meet its programmatic responsibilities.</p> <p>HUD agrees that it should look at its staffing levels to ensure that they reflect a rational allocation of limited staff resources. HUD believes it will be better positioned to do this once REAP is completed. However, HUD questions the need for this audit recommendation, given that it is largely duplicative of the open recommendations that contributed to the initiation of REAP, as included in OIG's FY 1991 HUD Financial Statement Audit (OIG Report Number 92-TS179-0011, recommendation numbers 2.a., 2.b., and 2.c.).</p> <p>GPRA staff at HUD have dealt continuously with the concern that excessive detail may compromise the APP's usefulness for managing major programs. The recommendation that</p>

	<p>HUD needs to link and align staffing to goals and objectives is a worthy aim that HUD is pursuing diligently through the REAP system. Nevertheless, judgment necessarily must continue to be involved because programs support multiple goals.</p>
<p>Pages 23-28: Finding Three: HUD Does Not Fully Report or Measure its Expanding International Program Activities</p>	<p>Finding three argues that HUD does not fully report or measure its expanding International Program Activities. The finding also implies that these activities may not be authorized.</p> <p>OGC attorney John Kennedy has already provided the OIG with a legal memorandum explaining that these activities are in fact authorized. We attach a copy of that memo. In these comments, we make three additional points.</p> <p>First, the International programs are an extremely small part of what HUD does as an agency and consume little if any program funding. It would thus be inappropriate to devote a lot of attention to them in the APP. Nevertheless, HUD will endeavor in the future to include more descriptive material in the APP about its international activities.</p> <p>Second, some of HUD's international activities are conducted in response to requests that arise from natural disasters or other emergencies. It is therefore not always possible to describe in advance in the APP the specific International activities with which the Department will be involved in the coming year.</p> <p>Third, at the most recent meeting with the auditors, it became apparent that the basis for their determination of the scope of HUD's international activities was a report issued at the end of the prior administration. That report's description of the HUD's international activities could be misinterpreted. For example, based on this report, the auditors appeared to believe that HUD is funding programs to produce jobs in Israel. This is inaccurate. The only tangible activities to date vis a vis Israel are: the provision of data to Israel on the nature of HUD's housing programs; an introductory meeting of the American members of the commission; and visits by housing officials to each other's countries for the purpose of learning about their housing systems.</p> <p>In its final report, the OIG should be careful to ensure that it has a full understanding of the actual nature of International activities by HUD.</p>
<p>Page 24</p>	<p>The report asserts that considering "international experiences" when developing policy and testing of "approaches to the creation of international networks for the exchange of data and information" somehow fails to relate to current strategic goals that "focus on the needs of the nation..." We disagree, as we think that HUD would be delinquent in its policy development and research activities if relevant information from abroad were arbitrarily excluded from consideration.</p>
<p>Page 26: "...alleviation of world poverty is outside the scope of HUD's mission..."</p>	<p>The report incorrectly restates the Department's position that "strengthening bilateral relationships and partnering with multilateral organizations...demonstrates America's commitment to alleviate worldwide poverty..." by implying that "alleviation of worldwide poverty" has become one of HUD's objectives or activities.</p> <p>HUD's international efforts have been coordinated with the State Department, but limited to HUD's policy-related objectives. HUD has previously provided legal materials to the IG that demonstrate that the Department's international efforts were carefully maintained within statutory authority.</p>
<p>Page 27:</p>	<p>The recommendation that the Department should "consult with OMB to determine if it has</p>

(Recommendations) entered into agreements that are outside the scope of its statutory authority” is addressed in Mr. Kennedy’s legal memorandum.

The recommendation that the mission, objectives and indicators be revised to include international program activities needs to be considered in context with the fact that international information-sharing clearly supports Strategic Objective 5.2, “HUD leads housing and urban research and development nationwide,” and that international activities constitute a minute share of HUD’s budget and staff resources. Nevertheless, HUD will consider opportunities to expand the discussion of international activities in the APP.

The recommendation that HUD should revise the Strategic Plan and APP to include current coordination with the State Department and USAID is not feasible because the Strategic Plan is revised on a three-year cycle and further revisions of the FY 2001 APP are not permitted. However, the Department will attempt to ensure that future versions of the APP reflect all significant activities at the time of publication.

Pages 29-31

The draft report criticizes the Department's ongoing attempts to develop and refine performance measurement tools by stating that almost one-third of performance indicators lack baselines.

The Department recognizes the issue as a key priority and agrees with the OIG that improvements are necessary.

In evaluating HUD's performance on baselines to date, the draft report does not fully consider all of the relevant factors. This discussion is intended to clarify some of the key points:

First, while it is generally a goal to have baseline information and specific targets for every indicator, this is not always practical or desirable. For example, HUD has adopted many long-term measures with external data sources, such as the Census or the American Housing Survey which are done periodically, rather than annually. Data from some of these sources were not available at the time HUD produced the 2001 APP. Nevertheless, HUD chose to include the indicator to inform Congress and other Stakeholders about what the Department hopes to accomplish.

To similar effect, HUD does not always have baseline data for new indicators or for indicators covering new initiatives. By including the indicator in the APP, HUD informs the public of the outcomes it hopes to achieve and ensures that resources are available to develop a baseline during the coming fiscal year. This is consistent with A-11 guidance: "An agency may also choose to identify, in advance, any performance goal for which actual performance data will likely be unavailable...."

It is certainly true that HUD could have minimized criticism by not including **any** indicator where baselines need to be determined, but this would mean eliminating an appropriate indicator and foregoing the collection of important data solely on the grounds that the data were not available in the most desirable time-frame. For example, HUD believes it is important to improve the utilization of Section 8 housing vouchers by housing agencies. To measure improvements in this utilization, HUD established indicator 1.2.c. The data source for this indicator is the Section 8 Management Assessment Program (SEMAP). SEMAP was not yet operational at the time the FY 2001 APP was prepared. Should HUD have omitted this indicator because no baseline was available, or included it to inform Congress and the public of the outcomes HUD seeks to achieve? We believe the more responsible course is to include it, despite the lack of a baseline.

The draft report states that 49 of HUD's indicators did not have baselines. However, 15 of these baselines have been established and reported in the FY 2000 Performance and Accountability Report. Many of the others will be included in the 2002 Annual Performance Plan.

The draft report compares the lack of baselines in the 2001 plan to that of the 1999 plan, but this comparison isn't appropriate. The FY 1999 plan had indicators that were more "output" oriented than "outcome" oriented. The latter are more desirable as performance measures but harder to measure. Furthermore, the 2001 plan included many more indicators, many of which were not in the 1999 plan. The 2001 plan provides much better coverage of strategic goals and objectives and of different program areas.

	<p>The draft report states that “setting baselines and clear goals does not appear to be a priority for HUD.” (page 30) We disagree. It is a top priority for HUD. We believe we have made progress in developing baselines and will work to continue to improve in this area.</p>
<p>Pages 29, 30, Appendix</p>	<p>The table of Indicators included in the appendix lists indicators that have no baselines, ones that will establish a baseline in FY 2001, and ones that will establish a baseline in FY 2002. This may lead the reader to believe that HUD did not disclose the time-frame for availability of baselines for indicators in the first column. Most of the indicators in this column had baselines that were to be established in FY 2000. Since the FY 2001 APP was published in March of 2000, there were still 6 months left in FY 2000 to develop those baselines. The table also contains a few factual errors. For instance, 1.2.g did indeed have a baseline as reported in the FY 2001 APP. There were also indicators that were not on the list that did not have baselines reported in the 2001 APP.</p>
<p>Page 31 (Recommendations)</p>	<p>HUD is working to comply with the recommendation to establish a baseline and goal for each indicator. The Department has been making serious efforts in past years to complete the necessary studies and validation to do so in a responsible way.</p>
<p>Pages 33-38: Finding 5</p>	<p>This finding asserts that “HUD’s Strategic Planning Process Lacked Meaningful, On-going, and Documented Consultations.” The report states that HUD met its legal requirement to solicit comments from stakeholders but didn’t conduct meaningful consultations or follow the spirit of GPRA.</p> <p>While the Department agrees that it could have done more in the area of stakeholder consultations, it wholeheartedly disagrees that the stakeholder consultation process lacked meaningful planning, thought, discussion and follow-through. In fact, the stakeholder consultations represented a significant commitment of HUD staff resources and <i>resulted in meaningful changes to the final Strategic Plan.</i></p> <p><u>Overview of Consultations</u></p> <p>HUD conducted more than a dozen stakeholder consultations, as well as four regional stakeholder forums conducted through a contractor. HUD has provided notes on all of these consultations to the OIG, which include a spreadsheet showing how various items were addressed. Since the draft audit report does not appear to reflect all of this documentation, we have resent pertinent material to the OIG.</p> <p>Initial steps in HUD’s stakeholder consultations included: seeking advice from NAPA on how to manage the consultation process; drafting a proposed consultation plan; and vetting the plan with senior HUD officials and Congressional staff. As the Department began its outreach to other constituents, it identified on-going and already planned meetings with members of specific constituent groups as one method to seek input. This method, the subject of much criticism in the draft OIG report, is consistent with OMB guidance. OMB circular A-11 gives all federal agencies discretion as to how this consultation process is conducted. To ensure that the consultation process does not become onerous, that guidance specifically states that, “An agency’s existing consultation process can be used.”</p> <p>As described below, HUD made a number of significant changes to its Strategic Plan to reflect the outcome of the consultations and other input from HUD staff and outside organizations. Comments that recommended major changes in HUD policies and were not incorporated in the Strategic Plan were referred to the appropriate program staff for consideration.</p>

In meetings subsequent to preparation of the draft report, the OIG auditors acknowledged that HUD had provided them with a spreadsheet summarizing comments received during the consultations and indicating HUD's response to those comments. The auditors argue, however, that the document did not indicate which consultation the comments came from and therefore could not be audited in the manner they desired.

HUD acknowledges that there is room for improvement in the documentation of its consultations. But it is a far cry from this point to the conclusion that HUD did not take the consultations seriously. HUD *did* take the consultations seriously and provided the auditors with written proof that it considered numerous comments. The final report should acknowledge this and limit its conclusions accordingly.

Examples of Changes Resulting from Consultations

The following are examples of substantive changes that were made in the Strategic Plan in response to comments obtained during the consultations. Along with the spreadsheet showing how HUD responded to the comments it received through the consultations, and the other evidence provided, these changes belie the argument in the draft report that HUD did not take the consultations seriously:

- Modification of Strategic Goal 3 to include "housing stability" as one of the core outcomes, so that the Goal now reads "Promote housing stability, self-sufficiency, and asset development of families and individuals. This change was made primarily because homeless advocates argued that, in order for homeless persons to become self-sufficient, they needed to attain housing stability. The change also helped ensure that the title of Goal 3 captured the broader set of programs included within it by the addition of Strategic Objective 3.3 (see below).
- Modification of Strategic Goal 3.1. Changed from Homeless families and individuals become self sufficient to Homeless families and individuals achieve housing stability, based on comments from Homeless advocates that HUD should emphasize this first step on the continuum towards self sufficiency.
- Addition of Strategic Objective 3.3, which focuses on the elderly and persons with disabilities. Stakeholders from both elderly and disabled groups correctly pointed out that the Department helps these groups not only by providing affordable housing but by providing services in connection with that housing to help them achieve maximum self-sufficiency. Previously, Strategic Goal 3 focused only on services to help the homeless and poor families become self-sufficient.
- Modification of Strategic Objective 2.3, due to comments from fair housing and disability groups that the Department had a role in promoting homeownership for disabled persons, both from a building accessibility perspective and a fair housing perspective.
- Restructuring of Strategic Objectives 4.2 and 4.3. Based on comments from community development groups, the Department completely restructured these two objectives to be more aligned with what the Department accomplishes in communities:
 - To refrain from pitting cities against suburbs when assessing the health of

	<p>communities, Objective 4.2 was changed from “Disparities in well-being among neighborhoods and within metropolitan areas are reduced” to “Economic conditions in distressed communities improve.” The new language also focuses more directly on the economic impact of HUD’s programs.</p> <ul style="list-style-type: none"> • Objective 4.3 was changed from “Communities are safe” to “Communities become more livable”. Stakeholders felt that crime and safety is just one component of “livability” and was a relatively small portion of what CDBG grantees spent their flexible grant funds on. The new Objective captures a broader range of outcomes associated with CDBG and other community development programs. <p>Indicators in the Annual Performance Plan were updated and realigned between objectives 4.2 and 4.3 to accommodate these comments and changes.</p>
<p>Page 33, 34</p>	<p>The overview of HUD’s consultation activities excludes the single largest effort, the four regional focus groups conducted by an independent organization.</p> <p>The assertion that HUD did not conduct on-going or meaningful Congressional consultations ignores the fact that Congressional committees were invited to send staff to many stakeholder meetings to listen or interact with participants. The statement that half of Congressional consultations occurred late in the process is presented without recognition of the significant advantages of the approach. The early consultations gave Congress the opportunity to establish an agenda for stakeholder meetings and the late consultations allowed them to react to findings of the meetings.</p>
<p>“HUD did not conduct on-going or meaningful congressional consultations.”</p>	<p>Congressional staff were consulted at the beginning of the consultation process. At that meeting, they reviewed the stakeholder consultation plan and made general suggestions about the content of the final strategic plan. In particular, they requested that, in its six-year plan, the Department include specific measurable indicators under each Strategic Objective, which HUD did.</p> <p>The chart on page 34 lists six consultations that the IG determined HUD had with Congress. The IG lists as one of those consultations the date that a draft plan was delivered to relevant committees of the Congress, but then criticizes HUD for counting this as a consultation. It is unclear what point is being made here; this mail date was certainly not a formal consultation. Only two of the six consultations listed in the report were counted in the Department’s own tabulation of formal stakeholder meetings. The other meetings supplemented our formal input from Congress. For example, at the May 23, 2000 meeting, which was not considered a formal consultation, Senator Thompson’s staff made specific comments about including the Department’s management challenges in its strategic planning documents. This suggestion not only reaffirmed that our fifth strategic goal was appropriate, but led the Department to add a second section to that goal specifically addressing critical management issues. Finally, as we stated to the IG, congressional staff were informed and invited to many of the Department’s outside stakeholder meetings, and in some instances attended.</p>
<p>Page 35</p>	<p>The statement that “HUD poorly documented its consultations with OMB” fails to reflect HUD’s ongoing and informal relationship with OMB regarding the GPRA process. These strategic planning processes need not be hindered by a formal consultation and documentation process. Had OMB requested a higher level of formality from HUD or other agencies, the Department would have complied.</p>

	<p>“HUD’s stakeholder consultations lacked official documentation” The report states that HUD failed to maintain purpose, agenda, handouts, time, and place for all of the meetings. The OIG did not request this information from HUD GPRA staff and because HUD was not allowed to comment on preliminary findings in the report, it was not given an opportunity to provide this additional documentation. HUD had this type of material for each of its Stakeholder meetings. When a consultation was held as part of a broader conference, a summary of the Strategic Planning process and the intent of the consultation was included in the event’s workshop blurbs. In some but not all cases, handouts were transmitted prior to the consultations.</p> <p>In addition, the reports states that HUD failed to maintain follow-up contact for all of the meetings. As stated in our April 12th meeting, HUD performed extensive follow-up for its first consultation with members of the U.S. Conference of Mayors, including electronic transmittal of the consultation summary and follow-up phone calls. This was a time-consuming process, which yielded few results. While participants were engaged in process during the meetings the response rate for follow-up was extremely limeted. This lead to a de-emphasis of this type of follow-up. Follow-up, which was then generally limited to clarifications of comments, was fruitful and, at times, extensive.</p>
<p>Page 35: HUD did not meet the documentation requirements it set for its own contractor.</p>	<p>Because there is no generally accepted standard for documenting meetings with external organizations on policy, budget, or planning, the IG arbitrarily chose a contractual standard which HUD believes is inappropriate. HUD disagrees that this is the proper standard for documentation for the following reasons. First, HUD staff responsible for developing the strategic plan did not attend these contractor meetings, so documentation of what was said was inherently more critical. Second, the contractors performing these regional consultations brought with them a specific expertise in the area of community performance measurement and the formal report allowed the contractor to synthesize the comments from stakeholders utilizing their broad subject area knowledge. Finally, the specific area for which the contractors were seeking stakeholder input is an area which the Department readily admits (on page 15 of its Strategic Plan) is the most difficult from a performance measurement perspective. The formal contractor report, therefore, has been shared with program staff and will assist the Department in all future discussions about performance measurement related to our local flexible funding block grant programs.</p> <p>This is an example of the draft report’s lack of balance and negative depiction of HUD’s GPRA activities - instead of commending HUD for engaging in thorough and well-documented regional stakeholder consultations, the OIG tries to use these consultations as a basis for attempting to discredit the rest of HUD’s consultation activities.</p>
<p>Page 36: “HUD’s approach resulted in unapproved programs being include in its Plans.”</p>	<p>The programs cited in this paragraph include a number of programs the Department had proposed and were still under consideration during the development of the Strategic Plan. The Strategic Plan is a forward looking document and is meant to include means and strategies that the Department plans to use in the future.</p>
<p>Page 37: “NAPA found similar consultation problems.”</p>	<p>By comparing its own review of HUD’s consultations in 2000 with NAPA’s review of HUD’s consultations in 1997, the OIG fails to recognize the significant differences of these two consultation processes. For the first Strategic Plan, HUD had no consultation plan and the consultation process consisted exclusively of mailings and e:mails to identified stakeholders, and placing a draft version of the Plan on the Department’s Web page for comment. The 2000 Strategic Plan consultations, by contrast, were “creative sources of new ideas about desired outcomes, how things are working and customer satisfaction” as NAPA stated. As stated before, HUD met with NAPA officials as a first step in its consultation to</p>

	gain insight for its own plan. Many of NAPA's recommendations were implemented.
Page 38	<p>Response to Recommendations for Finding 5</p> <p>The Department agrees that it could have followed a stricter, more formal planning process and it could have improved its documentation of its consultations. However, it disagrees that either of these recommendations rises to the level of actionable findings by the IG.</p> <p>The A-11 gives the Department broad authority to implement the Strategic Plan consultation process. We used a variety of methods which included meetings as part of already planned meetings and conferences, targeted meetings on specific issue areas, wide publicity on the Web for two months about the ability to comment on the draft Strategic Plan, an all-employee broadcast, follow-up conversations with commenters, and faxes and mailings, all of which resulted in documented comments. The synthesis and consideration of all of these comments was done in formal manner and the disposition of each of these comments was documented and sent to the IG in the Fall of 2000.</p>



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, D.C. 20410-0500

April 13, 2001

OFFICE OF THE GENERAL COUNSEL

MEMORANDUM FOR: D. Michael Beard, District Inspector General
for Audit, 6AGA

FROM: *John P. Kennedy*
John P. Kennedy, Associate General Counsel for Finance
and Regulatory Enforcement, CF

SUBJECT: HUD's Authority to Conduct International Work

This responds to the draft audit report re HUD's compliance with GPRA, March 2001, concerning the legal authority for HUD's international agreements and activities. The following will demonstrate that the international work referred to in the draft report was within the scope of HUD's legislative authority.

The Department is engaged in two types of international activities: the first type concerns various non-binding bilateral agreements, i.e., technical exchange agreements with HUD's counterparts in foreign governments; the second type involves HUD providing international technical assistance under legislative authority transferred to HUD expressly for a limited purpose from another agency.

Non-binding Agreements:

The great majority of HUD's current international activity is carried out under Memorandums of Understanding (MOU's) which are non-binding agreements with foreign nations for the purpose of exchanging and assembling information related to policy, program and research interests of the Department. The Secretary of HUD has broad discretionary power to engage in information exchanges with foreign countries under the Housing Act of 1957 which states:

"The Secretary of Housing and Urban Development may exchange data relating to housing and urban planning and development with other nations and assemble such data from other nations, through participation in international conferences and other means, where such exchange or assembly is seemed by him to be beneficial in carrying out his responsibilities under the Department of Housing and Urban Development Act or other legislation" Housing Act of 1957, Pub. L. No. 85-104, § 604 (1957).

The Secretary of HUD may enter into MOU's "subject to the

approval of the Secretary of State for the purpose of assuring that such authority shall be exercised in a manner consistent with the foreign policy of the United States." Id. An MOU is a non-binding agreement established to facilitate an information exchange pertaining to housing, development and construction between HUD and its respective foreign counterpart. Under this authority, and in coordination with the Department of State, the Secretary of HUD entered into MOUs with counterpart housing officials from Mexico, Israel, China, and South Africa.

Within the framework of an MOU, the HUD Secretary also signed project level implementing accords to specify the activities each side intended to carry out in a particular project. The implementing accords are limited in nature are not binding agreements and do not have the same status as the umbrella agreement.

It is important to note that many of these activities emanated from the Office of the President and that HUD was invited to take responsibility for housing finance and urban development issues in on-going interagency program of cooperation with each of these governments that covered different technical fields.

China: The Office of the Inspector General ("OIG") expressed particular interest in HUD's authority to engage in technical assistance and construction in China as reflected in their audit report and in the March 22, 2001, meeting. HUD activities in China were fully within HUD's legislative authority.

In June 1998, during a U.S. China Presidential Summit, President Clinton announced the formation of a U.S.-China Residential Building Council for the purpose of furthering cooperation with China on housing issues. In response, the Department of Commerce and HUD joined to select members to form the council that would be made up of leaders in the U.S. housing industry or in community development. To do so, public notices were published in the Federal Register requesting that interested parties meeting enumerated standards apply for a position on the council. See Commerce's Notice To Serve on the U.S. China Residential Building Council, 64 Fed. Reg. 10621 (1999); HUD's Notice to serve on the U.S. China Residential Building Council, 64 Fed. Reg. 49946 (1999). All members of the RBC agree to pay their own expenses to take part in this work while the federal government receives highly valued expertise "pro bono," thus forging a useful public-private partnership in international cooperation. On November 1, 1999, HUD, Commerce and the Chinese Ministry of Construction signed an MOU and then, in May 2000, signed implementing accords.

Israel: The following responds to the OIG's inquiry about HUD's involvement in Israel. In a memorandum dated June 19, 2000, to Secretary Cuomo, President Clinton directed that the Secretary of HUD "begin discussions with the government of Israel on issues pertaining to affordable housing and community development, with the aim of establishing a bi-national commission to structure a cooperative exchange program in this field." (See attached Memorandum.) Then on June 22, 2000, Secretary Cuomo entered into an MOU with Israel to exchange information and establish a bi-national commission involving both public and private sector participants from both governments. To this end, HUD issued a notice in the Federal Register requesting that interested applicants, meeting the requirements listed in the notice, apply. See, Notice to Apply to Serve on Israel Bi-National Commission on Housing and Community Development, 65 Fed. Reg. 39419 (2000). Thus, HUD's involvement in Israel was not only within the authority of the Secretary pursuant to the Housing Act of 1957 but also responded to a directive issued by President Clinton. As with the U.S.-China Residential Building Council, all members of the U.S.-Israel Housing Commission pay their own expenses as part of this public-private partnership.

International Technical Assistance

In 1998, hurricanes in Central America and the Caribbean and an earthquake in Columbia severely damaged local communities. In 1999, Congress enacted the "Emergency Supplemental Appropriations", providing the United States Agency for International Development, "USAID", \$621,000,000 to assist those affected. 113 Stat. 57 (1999). Through an interagency agreement, USAID transferred \$10 million of the appropriation to HUD under section 632(a) of the Foreign Assistance Act of 1961 authorizing USAID to allocate or transfer to any agency of the Government "funds available for carrying out the purposes of the Act." Foreign Assistance Act, Pub. L. No. 87-195 (1961).

Section 632(a) further provides that such funds...shall be available for ...expenditure for the purposes for which authorized, *in accordance with authority granted in this Act or under authority governing the activities of the agencies of the United States Government to which such funds are allocated or transferred*". *Id.* Thus, transfer under this provision of the Act granted HUD all authorities of USAID under the Foreign Assistance Act in utilizing the \$10 million.

Without this transfer of authority HUD would not be able to carry out this program. This HUD-managed technical assistance program for post-hurricane reconstruction in Central America and the Caribbean is unique to the Department and will end when all \$10 million is expended. OMB and USAID closely monitor HUD's work in this area.

cc: Kennedy, chron, Thompson/8100, Sullivan/9262, Graf/6AGA

CF:Kennedy:nmg 708-2203 typed: 04/13/01

(H:\GFC\Kennedy\Legal authority for HUD's int'l agmts and activities)

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